FOREIGN AFFAIRS

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AN AMERICAN QUARTERLY REVIEW

APRIL 1976

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FOREIGN AFFAIRS

Vol. 54 APRIL 1976 No. 3

LESSONS OF ANGOLA

*By John A. Marcum**

IT was an improbable locus for a superpower collision. But the shape and location, if not the history and social reality, of Angola were being firmly impressed upon the minds of millions of American television viewers. At issue, they learned from the Secretary of State, testifying before a Senate subcommittee on African affairs, was this basic principle: "The Soviet Union must not be given any opportunity to use military forces for aggressive purposes without running the risk of conflict with us."[1] Angola was to be the post-Vietnam testing ground of American will and power in the face of the global expansion of a bullish rival whose recently realized military outreach was seen to be leading it toward dangerous adventures.

But why Angola? When Secretary Kissinger attacked Soviet and Cuban intervention on the ground that they had "never had any historic interests" there, many Americans probably wondered, conversely, what their own historic interests in Angola might be.

Outside of the work of a few dozen Protestant missionaries and teachers who offered an heretical world and extra-world view and some basic skills to several hundred Africans in an otherwise rigidly repressed colonial society, there had been little American interest in Angola until very recently.

American coffee drinkers have for the past few years consumed some $100 million of Angola robusta beans each year. And the Gulf Oil Corporation developed a moderately important petroleum find in the Delaware-sized enclave of Cabinda, where it was pumping some 150,000 barrels a day by 1975. The United States, as a rule, subordi-

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* This article is derived from a segment of the author's contribution, "Southern Africa after the End of Portuguese Rule," to *Africa: from Mystery to Maze*, ed. Helen Kitchen, Volume XI of a major project of the Commission on Critical Choices for Americans. The 14 volumes of this project will be published in 1976 by Lexington Books, D. C. Heath and Company. All rights reserved. Copyright © 1976 by The Third Century Corporation.

[1] Testimony of the Secretary of State before the Subcommittee on Africa, Committee on Foreign Affairs, U.S. Senate, January 29, 1976.

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nated African concerns to larger issues—in Angola's case, the pressure from its NATO ally and the host to U.S. strategic air and naval facilities in the Azores Islands, Portugal. While voicing support for the principle of self-determination, Washington carefully eschewed taking actions that might have sped its achievement in Angola, Mozambique or Guinea-Bissau, for fear of incurring the wrath of the Salazar regime, which maintained doggedly that Portuguese Africa had been indissolubly fused into the Portuguese body politic.

For 14 years, American policymakers paid next to no attention to the small-scale wars for independence being waged by African guerrilla forces in Portugal's African colonies. With the advent of the Nixon Administration in 1969, a major review of American policy toward southern Africa (NSSM 39) concluded that African insurgent movements were ineffectual, not "realistic or supportable" alternatives to continued colonial rule. As a result, American policy became even more Eurocentric. The authors of the interdepartmental policy review, commissioned by then White House adviser Henry Kissinger, questioned "the depth and permanence of black resolve" and "rule[d] out a black victory at any stage." They did not question the depth and permanence of Portuguese resolve. It was a basic miscalculation stemming from faulty intelligence, in both senses of that word.

By the early 1970s there were ample signs that Portugal's days as a Eurafrican power were numbered. Demoralization and defections among the war-worn Portuguese military; economic dislocation and inflation; the massive emigration of 1.5 million job-seekers; and the burgeoning of anti-regime terrorism and sabotage—these were all visible to those with eyes to see. But when in April 1974 Portugal's armed forces overthrew the government of Salazar's successor, Marcello Caetano, the American government stood surprised, and embarrassed by its close ties to the *ancien régime*. The debacle of our subsequent involvement in Angola flows from the same propensity to view what is happening there through the distorting lens of a larger strategic concern—this time a global shoving match with the Soviet Union.

II

The coup in Lisbon freed the United States from the millstone of an awkward alliance. But Washington was slow to rejoice. Alternating between despair and truculence, a preoccupied Secretary of State fretted over the danger of a communist takeover in Portugal but conveyed little sense of enthusiasm for the new opportunity presented

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to identify with the aspirations of new forces coming to power in Portugal and its soon-to-be-liberated wards. In failing to do so, he left the United States caught up in the consequences of its past actions and inactions. There was a quality of foreboding and fatalism in Washington's response, attributable in part, no doubt, to the fact of having been aligned with a two-continent loser while it was still stuck with a lost cause of its own in Southeast Asia.

In Angola, Lisbon saw its authority slip away in late 1974. Three competing insurgent movements, accorded exclusive political legitimacy by Portugal's new military regime, fought for political and military power. In Mozambique and Guinea-Bissau a single nationalist movement had gained revolutionary ascendancy and become the logical recipient of transferred authority. But in Angola, though at given times a particular movement seemed to be on the verge of eclipsing its rivals and emerging as the dominant force, none ever succeeded. And with the total collapse of Portuguese authority during 1975, the three-way contest among them offered obvious enticements to outside intervention. In its quest for "stability," it would have seemed logical for Washington to turn to preventive diplomacy to muster external support for the cause of a unified Angolan government reflecting all interests. Instead, it chose policies that exacerbated Angolan divisions.

The deep schisms separating Angola's three insurgent groups were partly ethnic in origin and partly the result of Portuguese policy. In the 1950s, the government of Premier Antonio Salazar had rooted out and destroyed individuals and groups in the colonies suspected of nationalistic sympathies. As a consequence, surviving nationalist movements shared common weaknesses. Their leadership ranks would have been thin in any case, coming as they did from the politically aware portions of a tiny elite (only one to five percent of the population were literate). But they were additionally handicapped by travel restrictions, police harassment and lack of funds. Their ranges of action, life-spans and political vision were limited. Thus they remained parochial; most were unable fully to transcend the bounds of primary ethnic or regional loyalties, or of class and racial ties.

Clandestinity left its mark. Decimated by infiltrations and corroded by the insecurities and tensions of underground politics, nationalists became obsessively distrustful. Subsequent years in exile only reinforced mutual suspicions.

During the years of insurgency that followed upon the outbreak of fighting in 1961, Angolan nationalist movements were never able to overcome their constricted origins and harsh conditioning. Less

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effective than their counterparts in Guinea-Bissau and Mozambique, they spent much of their energy fighting one another. Each of Angola's three major ethno-linguistic communities had produced a major liberation movement with a separate army and separate sources of external support. A look at their origins and history is important:

FNLA. The genesis of and basic support for the FNLA (National Front for the Liberation of Angola) came from within the 600,000 to 700,000-strong Bakongo community of northern Angola. Subsequent to the outbreak of fighting in 1961, up to 400,000 Bakongo war refugees poured north across the border where they joined ethnic kin in the Bakongo regions of the Bas-Zaïre. Added to an already sizable population of Angolan emigrés, whom the comparatively favorable economic and social conditions of the Belgian Congo had long attracted northward, these refugees effectively comprised a transplanted political constituency. They also helped to lodge the FNLA firmly within the confines of the Zaïrean political system.

Under the leadership of Holden Roberto, a Bakongo emigré politician schooled and socialized in the Belgian Congo, the FNLA became, over time, largely an extension or branch of Zaïrean politics. Operating from a secure exile base, Roberto concentrated on military action, giving only minimal attention to matters of political education, organization and strategic planning. And when his movement met with reverses in the face of Portuguese counterinsurgency, he relied on a combination of exile sanctuary and isolated forest redoubts in northern Angola to survive. Politico-military reverses (in 1964 and 1970) sparked mutinies and defections, especially among non-Bakongos, within the FNLA. Over time, Roberto eliminated potential rivals, centered authority in his person and relied on a coterie of mostly Bakongo aides to keep the comparatively unstructured FNLA functioning.

From 1973 onward, the FNLA was the recipient of material assistance from the Chinese as well as the services of a 120-man training mission headed by a Chinese major-general. Enjoying a considerable numerical and material superiority, thanks to Zaïre, FNLA troops occupied the northern Uíge and Zaïre districts of Angola and forced out all MPLA and UNITA rivals along with some 60,000 Ovimbundu farmworkers who fled southward to their Bailundu home country. As a movement, the FNLA entered the 1975 power struggle for control of independent Angola from a position of military but not political strength.

UNITA. The result of a 1964 split within the FNLA, UNITA (National Union for the Total Independence of Angola) derived

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fundamentally from a second ethno-linguistic stream of nationalism. Its leadership came largely from among the well over two million Ovimbundu of the central Benguela plateau. Under the direction of Roberto's one-time chief lieutenant, Swiss-educated Jonas Savimbi, UNITA lost its one contiguous exile base in 1967 when it ran afoul of internal Zambian politics. Making a virtue of necessity, Savimbi then shifted all UNITA operations inside the country, maintaining only tenuous outside linkages through an information office in London. Savimbi, who had visited Peking and been received by Mao Tse-tung in 1964, adopted a highly self-reliant strategy emulating the Chinese. And the latter, in turn, extended a modicum of training, financial support and publicity. But with only a trickle of material aid coming through Zambia, UNITA forces undertook to seize their weapons locally, quoting Mao to the effect that in any case the enemy should be the "principal source" of guerrilla arms. Reflective of Sino-Soviet competition, UNITA denounced the "modern revisionism" of those (the Soviets) who armed its chief rival, the third insurgent group, the Popular Movement for the Liberation of Angola (MPLA). And for its part, the MPLA, whose guerrillas in the early 1970s outgunned and outnumbered UNITA roughly 4,500 to 800 in the eastern Angola zones of insurgency, sought with possibly more dedication (though no more success) than the Portuguese to wipe out UNITA. Indeed, in order to survive, UNITA may have occasionally collaborated with the Portuguese.

When the colonial regime collapsed, UNITA promptly dropped its Maoist rhetoric and adopted a conciliatory posture deemed appropriate to changed circumstances: Savimbi had considerable success in cultivating local European support—which became a counterweight to FNLA and MPLA external backing—until, with the mid-1975 collapse of all central authority, his new allies fled en masse.

MPLA. Led by a Portuguese-educated Mbundu physician, Dr. Agostinho Neto, the MPLA was spawned in a third ethno-linguistic bailiwick, the city of Luanda and its hinterland of some 1.3 million Mbundu (Kimbundu-speaking) people. For years the MPLA was consistently denied operational bases in Zaïre. It had, therefore, been unable to develop the military potential of its beleaguered partisans in the interior north of Luanda. Instead, from bases in the more marginal contiguous states of Congo-Brazzaville and Zambia, it had organized incursions into the oil-rich enclave of Cabinda and, most tellingly, into the vast grasslands of eastern Angola.

The MPLA's leadership is more urban, intellectual, socialist, and racially mixed than that of the other two movements, and its uned-

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ucated rank and file includes the inhabitants of city slums (*musseques*) as well as the rural Mbundu. Like the FNLA and UNITA, however, the MPLA has remained a captive of its ethnic origins. Whereas its principal theater of military operations from 1966 on, eastern Angola, was inhabited by a variety of peoples—Chokwe, Luena, Luchazi, Bunda—its top leadership remained largely what it had always been: Mbundu and mixed-descent or *mestiço*. Unlike Roberto, who never ventured from exile into Angola during 13 years of insurgency, Neto and other MPLA officials did make occasional sorties into the fighting zones. But they were not able to weave together a cohesive multiethnic movement. And in 1973 the principal organizer of the MPLA's eastern campaign, a fiery Ochimbundu, Daniel Chipenda, broke with Neto and led several thousand followers into dissidence—and eventual (February 1975) alliance with Holden Roberto. At the time of the Portuguese coup, guerrillas loyal to Neto numbered as few as 3,000.

Also attacked by a group of largely *mestiço* intellectuals led by the MPLA's former honorary president, Father Joachim Pinto de Andrade, for allegedly authoritarian, secretive "presidentialism," Agostinho Neto, like Roberto, owed his survival to external support. For over a decade exclusive recipient of Soviet and East European training and arms, the MPLA, under his leadership, had also been closely associated with the Portuguese Left. Thus after the coup, it enjoyed a preferred position within the councils of Portugal's Armed Forces Movement as well as in communist and socialist circles. The acculturated, lusophile nature and Portuguese linkages of the MPLA's leadership were reflected in prominent political roles in the movement for *mestiços,* and symbolized by Dr. Neto's own marriage to a Portuguese woman. (Roberto, incidentally, helped to solder his ties with Zaïre by leaving his first wife, a Bakongo, and marrying President Mobutu Sese-Seko's sister-in-law.) And thus it was that Portugal's new government of the Left disallowed an agreement between Mobutu and short-term Provisional President António de Spínola in September 1974 that would have eliminated Dr. Neto and his Luanda/Mbundu-based "loyalists" from political competition by recognizing Daniel Chipenda's dissidents as the "real" MPLA. Dr. Neto thus cashed in on his prestige among Portuguese political and military figures.

III

From the coup until the end of 1974, the Portuguese moved steadily in the direction of independence for Angola and attempted to lead

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Angola's nationalists, molded as they were in clandestinity, exile and rebellion, onto the unfamiliar terrain of legal, electoral competition. In so doing they sought to accomplish what a long series of conciliation initiatives by the Organization of African Unity (OAU) and its members had not. In early 1975, the Portuguese brought together the three leaders of the liberation movements, first at Mombasa and then at Alvor in Portugal, and an accord was announced under which the three liberation movements would participate with the Portuguese in a Transitional Government that would operate until the outright grant of independence on November 11, 1975.

Already, however, the situation was not particularly hopeful. In mid-1974 the FNLA had received from China hundreds of tons of arms as well as Chinese instructors. It enlisted several thousand recruits, all in Zaïre, which was of course already involved in equipping and training Roberto's army of some 15,000 headquartered at its Kinkuzu base in Bas-Zaïre. Thus the FNLA achieved apparent military primacy, with the Chinese assistance for the avowedly non-socialist FNLA apparently motivated by a desire to humble Leonid Brezhnev, and to please Mobutu and acquire influence as they had in East Africa.

In October or November 1974, the Soviets themselves resumed modest arms shipments to the MPLA—a move perhaps triggered, more than anything else, by the unpleasant prospect of seeing their global rival for influence among revolutionaries, China, assist the movement of her choice to a military victory. Actually, prior to the April coup the Soviets had cut off their help to the MPLA because of its debilitating internal feuds and schisms. According to some reports, they even briefly helped the Chipenda faction before restoring relations with Neto, who had—due largely to support in Luanda-Catete and to Portuguese aid—eventually secured his leadership role over a badly weakened movement.

IV

This was the situation in January 1975 as the U.S. government, apparently for the first time since the coup, came seriously to grips with the question of what posture and actions to take. That the three movements were still sharply divided was apparent. With the existence of a secessionist movement in Cabinda, a four-way partition (Cabinda, Bakongo, Mbundu, Ovimbundu) after a cruel conflict was one possible scenario. There was also considerable conjecture about a possible FNLA-UNITA alliance aimed at shutting out the MPLA—an uneasy two-party coalition which would probably face

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chronic violence from an MPLA gone underground.

One observer of the scene noted presciently in this magazine a year ago that "Angola at this point is an open and inviting area for outside influence"—but went on to implicitly minimize the possibility of U.S. involvement, saying that: "The Angola situation could present great-power difficulties only if either China or Russia massively steps up assistance to its ally and the other then reacts."[2] At this point, early in 1975, the United States might have acted expeditiously to forestall competition with the Soviets, modestly improve its diplomatic position in Africa, and even to encourage conciliation in Angola. In particular, the United States might have mustered its diplomatic forces and encouraged the OAU to take up a continuing role as political arbiter, thereby minimizing the hazards of large-scale external intervention. Although nominal Portuguese sovereignty remained, this had been no bar to OAU efforts in the past, and it seems likely that the Portuguese attitude would have been favorable. Whether OAU arbitration would have been successful or not is by now a moot point. The United States could in any case have made clear its commitment to a foundation stone of African unity—resistance to outside intervention—and thereby created real political difficulties for a Soviet intervention as well as gaining needed diplomatic credit in an area of the world where we have little.

Instead, as we now know, just as the Alvor Accord was being hammered out, the National Security Council's "40 Committee" authorized a covert American grant of $300,000 to the FNLA, the movement with the largest army and the one most disposed to follow a military rather than a political strategy. Curiously, the 40 Committee declined to help UNITA, whose strategy was the most political of the three, since it depended on the prospect of electoral strength among the more than two million Ovimbundu and 325,000 Europeans, not upon external military help. Apparently past connections, and an irrepressible habit of thinking in terms of "our team" and theirs," enticed the Administration into choosing one side.

Almost at once, rumors of "heavy continuing CIA support for the FNLA" became "very prevalent in Luanda," although they were denied by American officials.[3] And others, surely including Soviet intelligence, detected a new rash of conspicuous spending by the FNLA in Zaïre.[4] Although apparently intended, in U.S. govern-

[2] Kenneth L. Adelman, "Report from Angola," *Foreign Affairs*, April 1975, pp. 566, 569.
[3] *Ibid.*, p. 568.
[4] Roger Morris, "The Proxy War in Angola: Pathology of a Blunder," *The New Republic*, January 31, 1976, p. 21.

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ment thinking, for "political purposes" and to fortify the FNLA in its hitherto neglected political area, this American action was wide open to different interpretation by the Soviet Union and other parties.

As the spring of 1975 advanced, FNLA troops that had moved into Angola from Zaïre, accompanied by some elements of the Zaïrean Army, began attacking MPLA units in Luanda and areas to the north. At the same time, the Soviets began smuggling in large shipments of AK-47 rifles, machine guns, bazookas, and rockets via Brazzaville and Pointe Noire to points along the Angolan coast. Holden Roberto purchased Luanda's largest daily, *A Provincia de Angola,* and a television station and tried to implant his movement in the capital. But Luanda was the MPLA's bailiwick, and the largely Mbundu populace of its teeming *musseques,* newly armed with Soviet guns, reacted violently to FNLA intrusion. As military encounters increased, a group of some 50 MPLA militants were wantonly slaughtered by FNLA soldiers; by early July the MPLA military had forced the last FNLA units as well as UNITA supporters from the city and the Transitional Government collapsed.

From March to July, fighting and Soviet arms shipments increased in tandem. Perhaps, as the Administration now asserts, the Soviet arms shipments were a major escalatory move. If so, they seemed at the time not an unreasonable response to Roberto's own escalation—and in any event were almost certainly encouraged by the continuing desire to head off the Chinese, a motive that never seems to have been taken into account in Washington.

By the time the government did fold, after one last effort at mediation and reconciliation by Kenya's President Jomo Kenyatta in June, the areas occupied by FNLA and MPLA forces accorded closely to the map of their respective ethnic followings. There were two notable exceptions: MPLA troops operating from bases in the Congo Republic took effective control of Cabinda in June; and MPLA partisans were active in a number of southern ports which were urban centers of relatively high political consciousness and sizable *mestiço* communities—here the MPLA took control by mid-September. UNITA was left predominant in the densely populated Benguela highlands, home of the Ovimbundus.

In January 1976 Secretary Kissinger recalled how the situation had appeared to the Administration. "By mid-July," he said, "the military situation radically favored the MPLA." Zaïre and Zambia became "more and more concerned about the implications for their own security," and "turned to the United States for assistance in preventing the Soviet Union and Cuba from imposing a solution in Angola,

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becoming a dominant influence in south-central Africa, and threatening the stability of the area."[5] Washington was sensitive to the importuning of Zaïre, where some $800 million in American investment was threatened by latent internal instability related to a drastic fall in world copper prices, failure to develop agricultural production above pre-independence levels and the conspicuous affluence and vanities of a governing elite—none of which was attributable to the Soviets but all of which enhanced their capacity for mischief. And President Kenneth Kaunda of Zambia had reportedly warned privately of Soviet designs on Angola during a visit to Washington the previous April.

Rather than multilateral or détente diplomacy, the U.S. response was to provide military assistance to the FNLA and UNITA forces through neighboring black African countries. In order to avoid "a public confrontation" with Congress, in July, the Administration mounted a covert program to beef up the FNLA and UNITA that according to the official reckoning pumped over $30 million in military hardware to the FNLA and UNITA by the end of 1975.[6]

Given the circumstances, American action and reaction seemed almost designed to provoke the Russians into seeking maximum advantage. Because the Soviet Union's outreach as a superpower is more military than economic, and because its capacity to intervene is essentially unconstrained by democratic accountability, there might have been every reason to conclude that the Soviets would enjoy an advantage in the event of an Angola war by proxy. One would have thought that the President and Secretary of State would have perceived, as the Soviet leadership must have, that an American public chastened and disillusioned by a lost war in Vietnam would not tolerate even a very modest involvement in another distant, unfathomable, civil conflict.

V

In August, Cuban and Soviet personnel—presumably technicians and military instructors—began appearing in Angola. In late October, as the date for independence drew near and the remnants of Portugal's army departed for home, Cuban forces began to arrive in greater numbers.

[5] Kissinger Testimony, *loc. cit.*

[6] While the published figure of American arms support to FNLA and UNITA is only $32.3 million, it appears that much of this equipment was undervalued. Senator John Tunney announced in February that data collected by his aides in Angola and elsewhere showed that "American involvement has been much larger and more pervasive than I previously realized or than the Administration has acknowledged."

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Even more serious, however, was what took place on the side the United States was backing. In late October, partly in response to the desperate straits of an underarmed UNITA, South Africa intervened. A "mystery column" marching north from out of Namibia (South West Africa), led by white South Africans, Portuguese and assorted mercenaries equipped with Panhard armored cars and helicopter "gunships," quickly pushed the MPLA out of the southern half of the country toward the region of its own Mbundu home country north of Novo Redondo. With the advantage of surprise, this southern interventionary force, which came to include some 1,200 South African Army regulars, reversed military fortunes for a time.

By November 11, when the Portuguese High Commissioner folded his flag and set sail for Lisbon and no other nations or multilateral organizations stepped forward to mediate, armed force had become the sole determinant of Angola's future. That day, in Luanda, the MPLA announced the creation of a People's Republic of Angola. The Soviet Union and its associates recognized it immediately, and ships and huge Antonov 22 transport planes began disgorging tons of sophisticated arms at Luanda and Henrique Carvalho, including Soviet T54 and T34 tanks. Most telling were the 122-mm rockets that tore holes in the FNLA military front that had been pressing in on Luanda from Caxito some 30 miles to the north. And at this point the "other side" played their ace, in the form of Cuban combat troops sent partly from the Middle East and partly from Cuba itself. As of late February, an estimated 11,000 Cuban combat troops were in Angola, and American officials were placing the value of Soviet material input over the previous 11 months at about $300 million.

Had the Ford Administration attempted to arrest this escalating arms race with the Soviets between the time when it first became alarmed over Soviet involvement in March 1975 and the point of no return marked by Angolan independence in November? According to the Secretary of State himself, it was only at the eleventh hour in October that the United States made any "overtures" to the Soviet Union. Nor is there any reason to believe that, after having made its own January 1975 decision to provide covert assistance to the FNLA, the U.S. government sought either to constrain its client from trying to impose its dominance by force of arms or to allay Moscow's possible misgivings in this regard. Moscow was left to draw its own conclusions about American intentions. In the Angolan circumstances a policy of tit for tat with no communication was doomed to failure.

Why were there no attempts at preventive diplomacy? Why no signal to the Soviets that the United States would be willing to use

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its influence to safeguard a role for the MPLA in the Transitional Government on a basis of reciprocity? Why did the Administration fail to convey to Moscow—and other interested parties—strong American backing for an inclusive coalition rather than the imposition of any movement by force? And as Soviet weaponry began appearing in Luanda and elsewhere, why did the Secretary of State not sense that the United States would be at a comparative disadvantage playing a "covert game of soldiers" and alert Moscow to his concern for the future of Soviet-American relations?

The answer given by Administration sources is that the United States lacked "bargaining chips." Until it had built up a countervailing force to that of the reorganized and rearmed MPLA, it could not usefully converse with the Russians. And since according to Secretary Kissinger what mattered was not "America's modest direct strategic and economic interests in Angola," but only the "massive foreign intervention," it had to be met in kind.

To insist upon defining the Angolan issue in global terms to the exclusion of local and regional terms, however, was to exclude the most plausible means of remedying the conditions which had attracted foreign intervention in the first place. And to insist that the only "chips" were military chips was to play from the weakest suit in the American hand. The accompanying notion that one should not communicate intentions and concerns but should allow free rein for others to miscalculate and take reckless risk defies any definition of sensible diplomacy. It betrays an obsessional, self-defeating preoccupation with superpower global antics reminiscent of the grimmest days of the cold war.

It was, then, in January—or at the latest in July—that it became imperative for the United States to suggest to Moscow the formula actually proffered in October, a readiness to "use our influence to bring about the cessation of foreign military assistance and to encourage an African solution if they would do the same." (What, one wonders, ever happened to the "hot line"?)

But the offer needed to be made not just to the Soviets—as though they were the only real actors in the play. The U.S. Administration ought at one or both of these earlier dates to have called in the OAU ambassadors and contacted key African leaders—encouraging collective African initiatives and promising U.S. support for them.

VI

By late 1975, as MPLA/Cuban troops got the upper hand in Angola, the apparent tie between the United States and South Africa

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both destroyed the possibility of collective African support for a compromise solution and undermined the frail and limited acquiescence of those Senators and Congressmen who had been informed, in accordance with a 1974 law, of the covert actions the United States had been taking since July. When the issue came to a head in December, a phalanx of alarmed Senators, sensing a congruence of conscience and a promising election-year issue, derailed the escalation train by voting 54 to 22 to ban further covert aid to Angola. Although Secretary Kissinger promised to continue to "resist" the Soviet effort to "impose its own brand of government" on Angola, how he proposed to "resist" was unclear as the House of Representatives followed the Senate in January 1976 in voting 323 to 99 not to provide him with the "trivial sums," the "tens of millions of dollars" with which he proposed to bolster FNLA-UNITA forces and induce a military stalemate propitious for a negotiated settlement. The Secretary of State compounded his credibility problem by renouncing his remaining leverage with the Soviet Union—ruling out a delay in negotiations on a Strategic Arms Limitation Treaty or a moratorium on massive grain sales to the Soviet Union.

The hapless, would-be beneficiaries of American policy themselves perceived its weakness. In their view, the United States neither persuaded the Soviet Union to moderate its role in the conflict nor provided anti-Soviet forces with enough assistance to be successful. Instead, American rhetoric about a global Soviet threat was counterproductive. As FNLA leader Johnny Eduardo put it: "Whenever [Ford or Kissinger] bang their fists on the table against our enemies, the Russians take them seriously and increase military aid to the MPLA. The Americans don't match this by aid to us." Indeed, American policymakers seemed intent upon escalating the consequences of not doing something after they knew that nothing would be done.

Moreover, when South Africa marched north in October, all remaining hope of a unified African stance in opposition to outside intervention disappeared, as states such as Nigeria and Tanzania, previously critical of Soviet intervention, rallied to the cause of the MPLA. In Nigeria, a major source of American oil imports, the press assailed alleged U.S.-South African collusion, the government gave $20 million to the MPLA, and a crowd stoned the American Embassy in Lagos. Anxious and divided over how to respond to the intrusion of white-ruled South Africa, African leaders assembled at an extraordinary OAU summit meeting in Addis Ababa on January 10–12, 1976, but collectively they were able to do little more

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than prevent the complete breakup of their regional association. While Senegal and the Ivory Coast (the latter extended landing rights to South African Airways in the midst of the Angolan crisis) reportedly joined Zaïre and Zambia in urging the South Africans not to pull out of Angola in advance of the meeting, Guinea-Conakry threatened to lead a walkout of the organization if it did not recognize the Luanda government of the MPLA and condemn South African intervention. In a 22 to 22 standoff the meeting left the OAU and Africa more divided and vulnerable than ever. Shortly afterward, the organization did recognize the MPLA, after a majority of members had done so.

The point is not that Africans welcomed intervention from any quarter. Zambia's Kenneth Kaunda praised China for her prudent withdrawal from active involvement on the eve of Angola's independence. The point is rather that because of the powerful racial symbolism of South Africa its intervention had had a convulsive effect among Africans, overriding anxieties related to Soviet and Cuban intervention.

VII

All disclaimers notwithstanding, the United States fell here into a double trap. In addition to its de facto alliance with South Africa, it also overreacted to the harsh rhetoric and socialist advocacy of a Marxist-influenced liberation movement by identifying it as the "enemy." Responding to the MPLA as a Soviet pawn rather than a discrete, if blemished, African reality, Washington then wagered against it in a losing contest with the Soviets. The only way to extricate itself from this bind—and it becomes increasingly difficult to do so after national "honor" has been committed and what was a marginal concern has become a test of national "manhood"—is to respond in ways appropriate to the African scene. Continued adherence to a confrontational mode can only increase the likelihood that Angola will become a Soviet dependency.

Today, the possibility that the MPLA might respond to American overtures for direct discussions derives, ironically, from what President Ford has described as the "tragic" action of the Senate. MPLA officials seized upon the occasion of visits by congressional aides and journalists to Luanda to convey their (a) readiness to welcome the Gulf Oil Corporation back to the Cabindan oil fields that it had left under U.S. government pressure; (b) recognition of the importance of Western markets for their oil, iron, coffee, diamond and other exports; and (c) willingness to make a constitutional under-

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taking not to allow any "foreign power to establish bases" on Angolan territory. Freed from the constraints of global obsession, U.S. policy-makers might find that flexibility, time and flux would erode transient Soviet advantage. And, above all, with regained credibility the United States might join African states in urging the MPLA to create a truly national government that reaches out to bring in all ethnic communities and regions of the country.

By exploring possibilities of economic and technical cooperation based on the principle of mutuality of interests, the United States might also help create a climate in which the MPLA is less likely to take harsh retaliatory action against vanquished adversaries and vulnerable neighbors. Zambia and Zaïre need access to the Benguela railroad to export their copper and they will have to come to terms with the new government there—and exert their own efforts to preserve their own internal stability. Indeed, limited American cooperation with Angola is today the best way for the United States to help the very African nations which urged its 1975 intervention.

All this may yet serve to remedy what was the most fundamental weakness of U.S. policy toward Angola. For if the American response to the Angolan crisis on a global level was inept, its total disregard for the realities of African politics was even more crucial. Washington misjudged the character and capabilities of Angolan nationalist movements, jeopardized the future of regimes it sought to support (Zambia and Zaïre), and contributed to a further weakening of Africa's aggregate capacity to mount sanctions against external intervention.

Above all, American policy failed completely to reckon with the negative importance of South Africa in African politics. The more the United States came to depend on tacit cooperation with South Africa to stem Soviet penetration, the more the United States opened the way to Soviet intervention by removing the risk of united African opposition.

In the Angolan case, it is undoubtedly true that UNITA had welcomed the South African intervention. Moreover, it appears that Zaïre and Zambia, both economically dependent on South Africa, secretly encouraged South African intervention, although neither could afford politically to acknowledge this. Nonetheless, what is clear to Africans is that South Africa acted very largely in response to its own agenda: an opportunity to mount search-and-destroy operations against insurgents of the South West African People's Organization (SWAPO), who had been raiding across the Namibian border; and a chance to work for the installation of a "moderate" government

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in Angola, thus furthering Pretoria's policy of "détente" or diplomatic accommodation with pragmatic black neighbors.

Just what the communications between Washington and Pretoria may have been is not clear. It is alleged that much of the (faulty) intelligence upon which decisions were made in the Angolan affair came from the CIA's "close liaison with the South African security service," which itself would have a vested interest in a larger American involvement.[7] Although Mr. Kissinger has asserted it was "untrue" that there had been any U.S. "collusion" with South Africa, "high officials" in Pretoria have announced that South Africa's entry into Angola was made on the basis of an "understanding" with American officials that the United States would rush sufficient supplies to counterbalance the weapons superiority of the MPLA/Cuban forces, and have expressed particular disappointment at Secretary Kissinger's inability to make good on his promises. At the very least the United States connived at the South African intervention and sought to cooperate with it.

The result, inevitably, has been to associate the United States even more closely with South Africa, in what seems to Africans to be a de facto alliance based on a shared global perspective superimposed upon Africa. Together, South Africa and the American Administration appear to have viewed Soviet involvement in Angola as a threat to "moderate" governments in neighboring states, and to the status quo in white-ruled Namibia, Rhodesia and South Africa, as well as to what Secretary Kissinger terms "international equilibrium." The self-perception of South Africa's dominant Afrikaner elite as an outpost of white-Christian civilization standing against the rapacious forces of a liberal/communist world conspiracy fits well with and presumably reinforces Kissinger's own pessimistic views. African nationalists, denied Western assistance, are then defined in terms of their foreign assistance—and identified as "the Soviet-backed" this, and "Chinese-backed" that. The South West African People's Organization, for example, a movement founded by Ovambo migrant workers in Cape Town in the 1950s, is portrayed as a communist tool. Mixed with this distorted perception is the wishful South African assumption that economic and military power far outweigh the racial variable in setting the terms of South Africa's relations with black Africa.

In short, the Angolan experience now suggests that an informal Washington-Pretoria alliance is by no means an alarmist fantasy. The degree of practical cooperation and above all the apparent

[7] Morris, *loc. cit.*

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confluence of strategic thinking have deepened the American association with South Africa in a new and disturbing way.

VIII

Accepting the fact that its prestige and credibility in Africa, at least, have hit a new low, the United States must salvage what it can from the Angolan fiasco. In the process it would do well to learn some lessons from its experience. First, to define our interests in Africa simply in terms of the presence or absence of Soviet intervention only serves to increase the danger of intervention and to do grievous harm to those we would help. In contrast, the success of Soviet policy is largely attributable to the prominence of an assessment of African reality and sentiment. Second, the United States has to reconcile itself to the fact that supportive association with the previous colonial regime left its post-coup interest in Angolan independence suspect and unconvincing to many Africans.

The long-term U.S. miscalculation, which was premised on the longevity of European rule, proved a costly error. But the significance of this faulty vision, which discounted African and overestimated European capabilities, may be of even greater moment if it also proves to reflect an unconscious racial bias. American policymakers may also underestimate the extent to which 25 million black Americans share a latent identity with the disenfranchised black millions of white-ruled southern Africa. The unprecedented anxiety and confusion with which black Americans responded to the Angolan crisis is only a portent of what the response might be when the clear-cut, black-white issues of Namibia, Rhodesia and South Africa come to the fore. For reasons of domestic peace as well as relations with Africa, the United States cannot afford to allow either racial bias or the Soviet Union to push it into alliances with embattled white minority regimes attempting to maintain a privileged status quo from which we continue to enjoy economic profit. It is crucial that the United States dissociate itself from the cause of white minority rule and its overt race discrimination in southern Africa.

In this perspective Angola would be but a prelude to Rhodesia, where a regime supported by 275,000 whites is toughing out a predoomed rule over nearly 6,000,000 Africans. While the Soviets and Chinese have jockeyed for position as supporter of the winning faction of insurgents, the United States has stood in symbolic violation of U.N. sanctions as it continued to import Rhodesian chrome under the terms of the Byrd Amendment. Whether change will come via insurgency or via a peaceful transfer of power as sought by both

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Zambia and South Africa, it is too late for the United States to do much more than prudently prepare to deal with any successor government that might come to power. In this regard, Washington must overcome its propensity to take sides.

The rich, industrial core of the whole complex of problems is, of course, South Africa. Whether its setback in Angola has cost it some of its aura of regional invincibility; whether it will respond with quickened efforts to reach accommodation with "moderate" African nationalists in Namibia and speed the formation of small ethnic states (homelands) to provide a kind of vicarious citizenship for some of its disenfranchised African majority; or whether it will become more repressive out of fear of a Soviet-Communist threat from Angola—or a combination of all these—one overriding fact remains. Unless and until South Africa does achieve fundamental internal change it will remain a magnet for trouble. And it is the kind of trouble that the United States should avoid.

Already involved with massive investments ($1.6 billion) and trade ($1.1 billion in U.S. exports in 1974); anxious for continued access to platinum, manganese, vanadium and other metals; implicated, despite a 1964 arms embargo, in agreements to sell enriched uranium suitable for the manufacture of nuclear weapons, as well as "non-lethal dual use" items such as Lear jets and Cessna dual-engine 401s and 402s to the South African Defense Forces; involved in a secret (1971) relaxation of restrictions on the extension of Export-Import Bank facilities to South Africa; and cooperating in the monitoring of the Cape sea route, it will not be easy for the United States to disengage, to dissociate. There could be much argument over the means. But it seems clear that American interests dictate dissociation.

Restraining a propensity for moral posturing and self-righteousness, and avoiding the traps of commitment for or against any partisan solutions—be they "radical, moderate or particularistic"—the United States could achieve the essentials of a constructive policy by adopting some comprehensive guidelines. It should start by concerning itself with such issues as: (1) how visibly, responsibly and convincingly to convert existing American enterprise in South Africa into a force for social change (through wages, fair employment standards, working with black trade unions); and (2) how sensibly to guide or constrict any future capital, science or technological inputs in conformity with universal principles of social justice.

And in many areas of difficult choice, whether, for example, to recognize or extend economic or educational assistance to an "independent homeland," the United States would do best to be guided by

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the collective judgment of African states as expressed through the OAU. American credibility being a scarce but vital resource, it should be appreciated that the kind of cheating or misleading disclaimers that have surrounded previous dealings with the Portuguese and South African regimes will only further undermine the creative potential of American policy. Only by paying real heed to a responsible consensus of African views can we help to reinforce the African regional strength which is our best hope for avoiding superpower conflict in the area.

The United States must be responsible for the consequences of its own actions and inactions. It cannot control those of others. If the Angolan experience brings home to us the need to base our African policy on *African* realities; if it alerts us to avoid the traps inherent in our past policies, stimulating a greater willingness to relate to others, however "radical," on a basis of mutuality of interest—then, despite its agonies, it will yet have served us well. More difficult to rationalize will be the cost—in human suffering, death, displacement and destruction—sustained by Angolans.

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ISRAEL: BORDERS AND SECURITY

By Colonel Merrill A. McPeak

"ISRAEL," as Mrs. Meir put it, "is entitled to defensible borders." But where might such borders be drawn? The lines on which Israel's army stood at the end of the war of June 1967 seemed formidable, but have disappeared into history. The U.N. Security Council, in its celebrated Resolution 242 of November 1967, visualized that "secure and recognized boundaries" might be placed essentially along the lines obtaining before the outbreak of the June hostilities. Although it has refused to "draw maps," Israel has made it plain that the old lines will not do, in part owing to security concerns. But genuine security depends on regional accommodation, which the Arab states say cannot occur until all of the occupied territory is returned. All parties agree that some kind of demilitarization arrangement in returned territory would be needed in any overall settlement, but little serious public attention has been given to ways in which comprehensive demilitarization might be useful as a security safeguard in the context of comprehensive territorial return.

Today, Israel continues to hold something like 90 percent of the territory taken in 1967; that it has evacuated as much as 10 percent is one of the concrete achievements of the current "step-by-step" diplomacy. But this diplomacy seems to have lost momentum, and, in any case, has produced harmful side effects, including a new, and perhaps shortsighted, kind of demilitarization. Israel's borders are now anything but "secure and recognized"; defense of the present lines seems to require the attainment of new levels of sophistication in an arms race, the cost of which Israel can no longer shoulder alone. We even hear claims that Israel's security may soon require that it move to the stage of nuclear confrontation with its Arab adversaries.

II

Things looked a great deal different as the dust of the June War settled, for it seemed that Israel had solved its security problem by creating a new geography. To review the changes briefly, the total land area under Israeli control had grown about four times, but the length of demarcation lines had actually shortened and, in general, the new lines were based on natural features. At the Suez Canal, Israel had the best "tank ditch" in the Middle East. The Gaza Strip, long a

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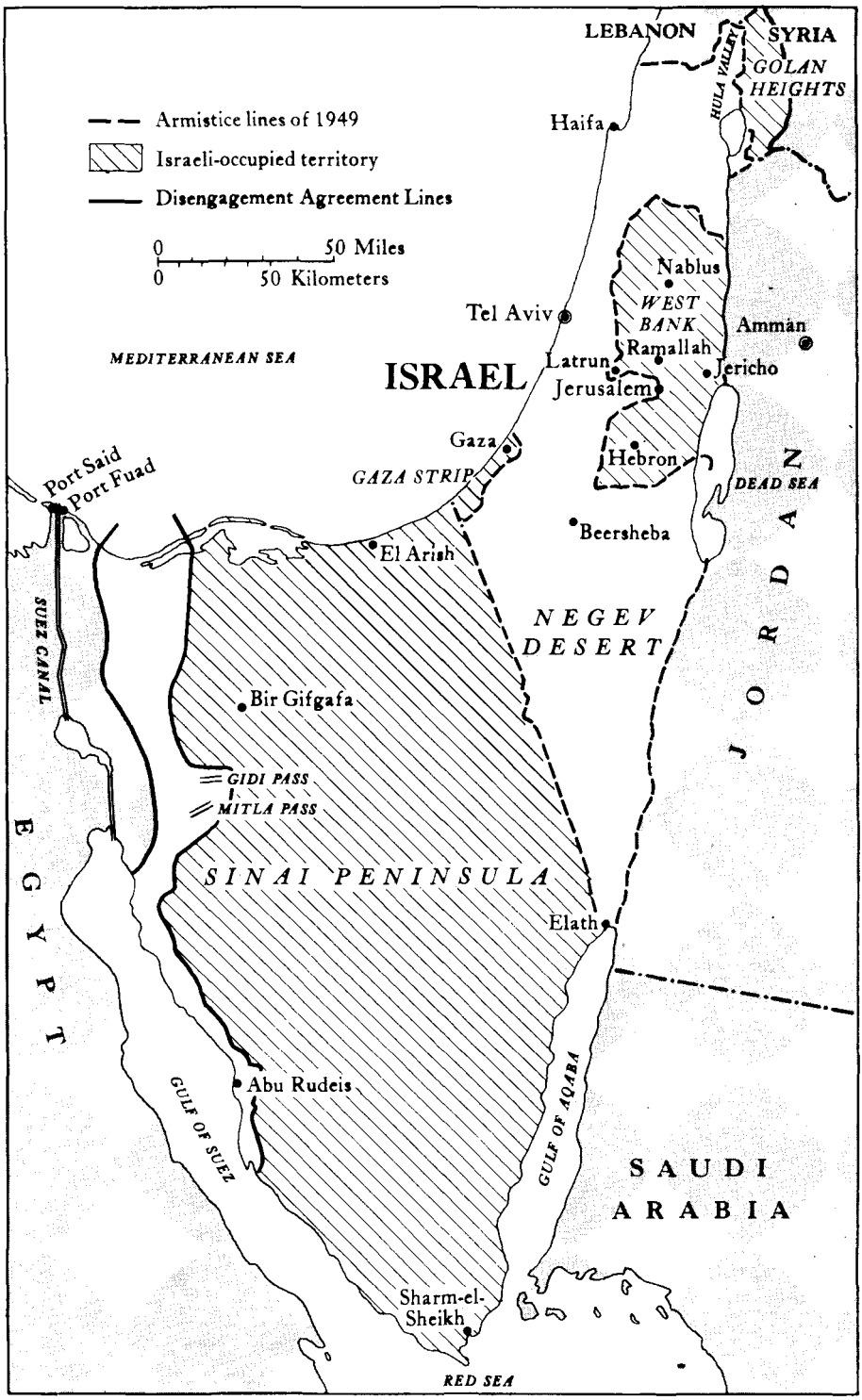

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nursery for Egyptian-supported terrorism reaching to within a few miles of Tel Aviv, had come under Israeli administration. On the Golan, Israel at last held the high ground. The bulge of the West Bank, an implicit threat that Israel would be cut in two, had been superseded by the line of the Jordan River. More important, the air threat to Israel had disappeared, at least for the moment. Tel Aviv had been 12 minutes flying time from Egyptian bases in the northern Sinai. Now, launched from the most forward bases in Egypt, many Soviet-supplied aircraft either could not reach Tel Aviv, or could do so only with reduced bomb loads or by using flight profiles which would make them easy targets for Israeli interceptors. Moreover, with radars in the Sinai, Israel could rely on 30 minutes warning of Egyptian air attack. As the International Institute for Strategic Studies summed up the new situation: "The six-day war left Israel with a degree of security she had never known before, and one that required no external guarantee."

However, within a week of the June 11 ceasefire, Israeli and Syrian ground forces were skirmishing on the Golan Heights; by July 1, fighting had erupted along the Canal. On October 21, after just four and a half months of "ceasefire," Israel's largest warship, the destroyer *Eilat,* was hit by Egyptian missiles and sunk near Port Said with great loss of life. Artillery duels, commando raids and terrorist attacks all along the new frontiers escalated to the full-scale war of attrition in 1969–70. Israel's casualties during the roughly three-year period from the end of the June War to the renewed, United States-sponsored ceasefire of August 1970 were at least 700 killed and 2,600 wounded, about the same as for the June War itself.

Perhaps, however, the new lines, so much more easily defended, would permit a reduction in the heavy burden of Israel's defense expenditures. Not so. In both absolute and relative terms, Israel's defense burden increased between 1965 and 1972, and increased dramatically, as the following figures indicate:[1]

	1965	*1966*	*1967*	*1968*	*1969*	*1970*	*1971*	*1972*
Defense Spending ($mil)	288	365	562	730	955	1278	1370	1375
Defense Spending (% of GDP)	7.9	9.8	14.7	17.0	19.7	23.6	22.6	20.6

Israel's standing military establishment, cadre and conscript, also ex-

[1] *World Armaments and Disarmament SIPRI Yearbook 1975,* Stockholm International Peace Research Institute. Figures are based on constant 1970 prices and exchange rates.

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panded during this period. Total, full-time forces numbered 71,000 at the end of the June War, increased to 75,000 by mid-1970 and to 115,000 by mid-1973, with each component growing and the Air Force roughly doubling.

These trends might have been even more adverse for Israel had it simply withdrawn from the occupied territories without obtaining suitable security arrangements. However, in view of the importance attached to human loss, and considering national requirements for development funds and skilled manpower, these indexes—casualties, defense spending, men under arms—have the highest significance for Israel. And none of them signaled improved security.

III

In retrospect it seems clear that Israel's larger security interests were not well served by a unilateral redrawing of its boundaries in conformance with perceived defense requirements. But it remained for the war of October 1973 to demolish this notion entirely. It fades from memory, now, how impressively the Israelis "won" what is sometimes called the Yom Kippur War. The sights and sounds of Egypt's stranded Third Army have somehow been erased in the aftermath of a strategic setback which Israelis, most of all, recognize.

But it is also clear that Israel has a legitimate security interest in what happens in the occupied territories. Israelis wonder how much worse it might have been in October 1973 had the Arab attack been launched from the old lines. Perhaps, then, it may be in order to try to describe the character of Israel's security interests in each of the territories, and to ask how these interests might be protected.

Taking the territories one at a time, two practical invasion corridors lead through the Sinai from Egypt to Israel. The traditional route is a relatively narrow coastal passageway through El Arish and Gaza. Alternately, Egypt has access through the Mitla and Gidi Passes to the central Sinai and thence to the Negev. Military leaders naturally prefer to cut hostile invasion routes as far forward as possible and the Suez Canal seems ideally suited to this purpose. But the Canal line was first breached by Egypt in the October War and then abandoned when Israel accepted withdrawal in the "first step" Disengagement Agreement of January 1974. The next best line, which would include physical occupation of the Sinai passes, was relinquished by Israel in the "second step" agreement of September 1975.

In any case, severing the invasion routes has never been the real test for Israel. Control of the air makes it possible to cut these lines at any desired point. The problem has been to prevent a concentration

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of Egyptian forces near Israel's borders. A forward build-up of men and matériel would theoretically enable Egypt, acting in concert with other Arab states, to defeat Israel in a lightning stroke even with its rear communications disrupted by Israeli air attack. But for the purpose of preventing military concentration close to Israel, what matters most is not how much of the Sinai is handed back to Egypt, but whether what is handed back is effectively demilitarized or not.

Incidentally, further disengagement "steps" in the Sinai would seem to require that Israel give up its forward operating base at Bir Gifgafa. Here, Israel has a heavy investment in facilities which, while not absolutely necessary for defensive purposes, do greatly enhance Israel's capability to conduct air operations against interior Egypt. Evidence of Israeli reluctance to part with this base may be seen in the way the lines were drawn in the September agreement. North of the passes, Israel's line runs due west, back toward the Canal for nearly 20 kilometers, then curves around again to the north, leaving space for operations at Bir Gifgafa.

Finally, with respect to the Sinai, there is the problem of Sharm-el-Sheikh. That Israel must control the southern tip of the Sinai Peninsula has become an article of faith among Israeli political and military leaders because Arab closure of the Gulf of Aqaba played a key role in the wars of 1956 and 1967. However, Sharm-el-Sheikh itself has little more than symbolic significance. The Gulf of Aqaba, nowhere more than about 15 miles wide, can be closed by modern artillery posted at any point along its shoreline. Accordingly, some argue that Israel must retain not just Sharm-el-Sheikh but also a land corridor south from Elath to the tip of the Peninsula. It is as logical to argue that Israel should control both shorelines, since the Gulf can be closed from either side, but this would require that Jordan and Saudi Arabia give up territory, as well as Egypt. And there is no end to aspirations which might be based on such an argument. The Gulf of Aqaba is itself bottled up by the Red Sea, making Israel's maritime access to the Indian Ocean dependent on the situation at the Strait of Bab el Mandeb. But, for the moment, Israel must rely on the threat of retaliatory action and such international support as can be mustered to deter hostile occupation of the Red Sea exit. If this course of action is sensible and reliable farther south, there is no reason why it cannot be applied to Sharm-el-Sheikh. Again, Israel's security requirement is not so much to retain control as that control not be passed under conditions of active hostility to another power; in brief, that there be peace, or barring that, effective demilitarization.

Atop the Golan Heights the situation can be viewed in at least two

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different ways, leading to opposed conclusions. According to one view, Israeli dispositions are a source of strength because Israel now commands the ridge line. The resulting ability to see from the ground into Syria is obviously a net advantage. In addition, the sporadic shelling of Israeli settlements in the Hula Valley has been ended. However, events of the October War call into question the value of these advantages. Israeli observation did not prevent the Syrians from achieving a degree of strategic surprise. Syrian possession and use of short range missiles showed that it is not necessary to hold the Heights in order to bombard northern Israel.

The principal strategic justification for retaining the Golan has been that it constitutes a geographic cushion, outside Israel, in which a Syrian attack could be dealt with—absorbed and contained, if not stopped completely—until Israel mobilizes. The logic of this strategy has been fatally undercut by the decision to permit Jewish settlement of the Heights. The Golan long ago ceased to be a strategic buffer in which the Israeli Army was free to trade space for time. As this is written, the number of farming settlements established has climbed into the mid-twenties and, despite the disruption of the October War, Israel has pushed through a Five Year Plan for the Golan which includes development of rural centers and tourist facilities and the opening of a number of small plants and mines. These assets must now be defended just as any part of Israel, and the Golan itself requires a protective buffer.

Thus the second view of Israel's Golan position—that the settlements and forces assembled there are terribly exposed, their backs not to a wall but to an abyss. Reinforcement is difficult and time-consuming; the roads up which reinforcements must come are exposed and vulnerable. The requirement to evacuate civilians from the settlements adds a demanding mission just when the army is bound to be most heavily committed. The opportunity for the kind of fluid warfare at which Israel excels seems reduced; Israel's forces must stand and fight in place, as they did with great gallantry during the October War. Nevertheless, it was a near thing. The Syrians came quite close to breaking through and creating the possibility of a disaster before they were held and then pushed back. It is no surprise that in the October War Israel had first to deal with the situation on the Golan before turning to the problem along the Canal, a reversal of the 1967 priorities. In present circumstances, the Golan will continue to receive top priority.

Lately there has been speculation that, should Syria attack again, Israel might regain the military initiative by moving through north-

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ern Jordan to envelop Syria's south flank. (Jordanian force deployments seem to take account of this danger.) Nor should the possibility of a move against Syria through Lebanon be overlooked. Of course, implementing such measures would more or less automatically widen and complicate any future war with Syria. If such plans exist they constitute further evidence of the strategic shortcomings of Israel's Golan position.

Thus, from a military point of view, Israel's holdings in the Golan can be seen as either an asset or a liability. Assuming that the territory under Israel's direct control is not forcibly enlarged to provide room for maneuver, it is at least arguable that Israel would be better off withdrawing from this exposed position. Moreover, the situation is made worse rather than better if Israel withdraws from some rather than all of the territory. As Prime Minister Rabin reportedly declared regarding further "steps" with Syria, there is room on the Heights for no more than "cosmetic" adjustment. Again, Israel's security would seem to dictate not occupation of the Golan, but its demilitarization.

IV

In the extraordinarily complex problem of the West Bank, emotion and history are more important determinants than security. To the extent that security aspects can be isolated, it is clear that demography is of far greater significance than geography. That is, Israel's security problems center on returning the population, not the territory, to Arab control. The Gaza Strip presents a similar problem, and these areas may be lumped together for purposes of analysis.

One can imagine three possible outcomes for the West Bank and Gaza Strip. Israel can return all, some or none of these territories to Arab control. Each of these alternatives poses challenges which are, for the most part, variations on the theme of *internal* security. This is so because consideration of these territories approaches the heart of the matter: How may Jews and Arabs live together?

Suppose Israel determines to incorporate all of the West Bank and Gaza Strip, either through outright annexation, as is already the case in East Jerusalem, or through continued military occupation which has a provisional veneer but de facto permanence. Assuming that a large number of Arabs are not simply expelled, this action would add about a million people to the already sizable Arab minority in Israel. Moreover, the natural rate of increase of the Arab population is about double that of the Jews. Thus, while there is little near-term likelihood that the Arabs can "drive Israel into the sea," there is a real

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possibility that they might submerge it demographically within present defense perimeters.

Already the "Right of Return" does not extend to non-Jews; Arab Israelis may not serve in the armed forces; and Arabs in the occupied territories are denied effective political organization and participation in government. No doubt these measures embarrass many Israelis, but they are necessary. In an Israel where Arabs constitute an increasingly large fraction of population, there can be no doubt that to accord Arabs full rights of citizenship would mean the eventual end of Israel as a Zionist state. On the other hand, institutionalizing a set of repressive measures designed to control a growing Arab population means the end of Israel as a democracy. Those who define Israel's security as requiring the preservation of both the Jewish and the democratic character of the state understand that at least some of the West Bank/Gaza Strip must be returned.

How is this to be done? One possibility is to find a formula for returning as much of the population and as little of the territory as possible. If, say, Israel were to retain the Gaza Strip, and in the West Bank to return only the string of Arab towns—Nablus, Ramallah, Hebron—along the Judean/Samarian hilltops, together with a link to Jordan at Jericho, Israel might take in upwards of half a million fewer Arabs, and population dynamics would be manageable, at least for a long time. (With an additional provision for a chain of Israeli strongpoints along the Jordan River, this plan looks something like the one offered in 1968 by Yigal Allon.)

Israel might be able to find someone to whom control could be handed on such terms. But, regardless of the extent of territory returned, or to whom it is handed over, terrorist attacks on Israel originating from the returned area would certainly occur. The record shows that such attacks have been stopped neither by Israeli administration of captured territories nor by Israel's reprisal policy (which therefore clearly requires review). Thus, for Israel, the relevant security problem is how to reduce terrorism in circumstances of renewed Arab control of the population.

Two aspects of this matter make it particularly troublesome. First, a feature of Israel's rather enlightened occupation policy has been to encourage Arabs and Jews to cross the old lines for economic and cultural purposes. For Israel to reverse this policy following restoration of Arab control would be wrongheaded and, in the degree to which Israel has become dependent on Arab labor, economically unsound. But, if relative freedom of movement is continued, terrorist infiltration is bound to be difficult to manage, no matter whether all, or only

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some, of the West Bank/Gaza Strip territories are returned.

Second, Israel has made clear its expectation that Jews are settled permanently in the occupied territories. This holds true with special force for Jewish holy places like Hebron and in Jerusalem itself and may also be the case with the settlements around Gaza and on the Golan. No one knows how many Jews actually would stay behind to live under Arab rule, but if a considerable number were to do so, then we would have a situation rather like an exchange of hostages, or the ancient practice of enemies drinking wine from the same glass. Under such conditions, each side has an interest in making its actions acceptable to the other and the key question is the degree of control exercised by the respective authorities. In brief, can the parties keep someone from poisoning the wine?

These considerations argue that, in any case, but especially if a Jewish population of any size is left behind, Israel has an interest in passing control to an authoritative Arab administration. The best, perhaps the only, way to control Arab terrorism is for Arabs to do the controlling. However, by retaining portions of the occupied territories, Israel would bequeath a legacy of political weakness. The cry would arise immediately for further, complete return—"every inch" —creating an inflammatory issue, diminishing the authority of any Arab government cooperating in partial return, and threatening Jews left behind. Terrorism would receive an additional stimulus while at the same time Arab ability to deal with it would be reduced.

Thus, Israel's security may well require the return of all, or substantially all, of the West Bank and Gaza Strip in order to confer legitimacy on the restored Arab government and enable it to exercise real control. Even so, the prognosis for curtailing terrorism remains bleak. Around the world, none of the most vulnerable targets—the industrial democracies—has a ready answer. Israel's special problem in this regard may gradually subside as the Palestinians come to accept whatever political arrangements are worked out in their behalf. Until such reconciliation occurs, Israel's best prospect of controlling terrorism is that strong Arab governments materialize in the returned territories.

Strong government in the returned territories also means that Israel must accept the presence there of Arab forces: regular Jordanian forces (and possibly Egyptian forces in the Gaza Strip) if control reverts to former Arab authorities; regular Palestinian forces if a separate Palestinian entity is established. However, such forces need not constitute a threat to Israel if they are limited in size and equipage. Here again the security problem focuses not on the extent of territory

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returned but on the nature and degree of demilitarization.

V

If this analysis is correct, Israel does not have a strong case, on the narrow argument of its own physical security requirements, for retaining any of the territory occupied after June 1967. All things considered, no set of borders seems a great deal better from a security standpoint than the armistice lines established in 1949—that is, the pre-June 5, 1967 borders. Indeed, if complete return of the occupied territories opened the prospect of peace, Israel's security interest, broadly defined, would require this step. However, Israel cannot be sure that peace would accompany withdrawal. Its experience leads to the contrary expectation. There is much truth in the Israeli contention that each of the five wars of Israel's modern history was thrust upon it.

In these wars the performance of Israel's armed forces has been remarkable. However, if the purposes of armed strength are first to deter conflict and only second to end such conflict as does occur on terms favorable to the nation, then Israel's impressive success must be laid alongside impressive failure. Reserving consideration of nuclear weapons for a moment, we have no reason to believe that the Arabs will ever be deterred by Israel's military power, even if its record and reputation are reinforced by a succession of new victories. The question of how to defeat the Arabs has been answered five times; the question of how to deter them awaits an answer.

This is not to say that the strength and competence of Israel's armed forces are unimportant or have somehow become irrelevant. On the contrary, Israel's security will continue to be linked with its military capabilities relative to the Arab states; these capabilities must be preserved to ensure its survival. Note, however, that none of the qualities which the world has come to associate with Israeli arms—movement, flexibility, imagination—relies on the possession of specific territory. To discover the true composition of Israel's security, ask an Israeli general whether he would trade these fighting qualities for the chance to occupy a strong position.

Generals rightly resist such choices. Indeed, no general worth his stars is likely to think of these as exclusive alternatives; he will want both a fine fighting force and a strong opening position, as well as any other advantage available. But maintaining or increasing military advantage relative to Arab countries which now have access to growing technical and financial resources is a cruel task for a state as small as Israel. For this reason, and to avoid the risks seen in a condition of

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increasing dependence on the United States, Professor Robert W. Tucker has argued that Israel is likely soon to reconsider its stance on nuclear weapons—and indeed that it should do so.[2]

While official statements have understandably avoided unnecessary precision, Israel's policy on nuclear arms seems to rest now on two elements: a commitment not to be the "first to introduce" nuclear weapons into the Middle East and the avowed intention to retain the "option" to develop such weapons, should they be required. Each of these policy elements is essentially meaningless. In a crisis Israel could claim that nuclear-capable systems had already made an appearance in the region—that no chastity remained for Israel to protect. Moreover, the circumstances in which Israel might require nuclear arms are not those which would allow an elaborate development program to be undertaken at the time. If an "option" is indeed to be possessed, it means that development must take place in advance, with only final loading and arming steps, at best, postponed.

To date, Israel has seen the advantage of a strong conventional posture backed up by the deliberate ambiguity of a nuclear "option." Professor Tucker suggests that, for Israel, the attractions of a declaratory strategy of nuclear deterrence may soon become irresistible. Among other claimed benefits, Tucker argues that such a strategy would permit de-emphasis of conventional force, thereby reducing defense spending, and would markedly diminish preoccupation with secure borders, thereby creating more flexibility on return of occupied territory.

There are a number of both theoretical and practical reasons, which can be mentioned here in summary form only, why Israel should not adopt such a policy. On the level of theory, the first problem is stability. Whereas so far the Arab states seem able to ignore Israel's nuclear "option," no one should doubt that they will be obliged to follow suit if Israel declares a policy of nuclear deterrence. We should not assume that both sides will move immediately to secure, second-strike systems; more likely they will retrace the path taken by every nascent nuclear power. Accordingly, we should expect a gradual evolution from exposed, first-strike, to survivable, second-strike systems. Survivability is always relative and, in general, the more survivable a system is the more it costs. As the parties move closer to true second-strike postures, they are likely to see postulated defense savings evaporate. In view of resource limitations, the evolution to second-strike postures will be fitful, with extended periods during which capabil-

[2] Robert W. Tucker, "Israel and the United States: From Dependence to Nuclear Weapons?" *Commentary,* November 1975.

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ities are grossly asymmetrical and in which there is a fair measure of uncertainty about opposing capabilities. There will be powerful voices on each side urging that the other's resolve be tested, and on each side urging that resolve be shown. These conditions—asymmetry, uncertainty, provocation—provide a textbook definition of instability.

Nor should we assume that the eventual existence of balanced, second-strike postures will automatically produce stable deterrence. Such stability as exists in the U.S.-Soviet relationship has been a product of rational and conservative behavior, with each side accepting limitations on objectives as well as means. Some may claim that it is characteristic of nuclear balance to produce rational and conservative behavior, but this is not a hypothesis we should wish to see tested in the Middle East. What is immediately at stake in the Middle East—territorial integrity, physical security, cultural identity—are survival values par excellence. Values of similar magnitude have not been a day-to-day issue between powers possessing balanced nuclear strength. On those rare occasions when the stakes were raised—e.g., the Cuban missile crisis—the world reached points of maximum danger. Moreover, the Arab-Israeli conflict displays some aspects of a fight between brothers. That this is so offers a hope of reconciliation, but it also means that emotions are likely to outrun careful calculation. It is the family arguments—Greek versus Turkish Cypriot, Catholic versus Protestant Irish, North versus South Korean—that we should least like to see nuclear-armed.

Even if the sides were to settle into stable deterrent conditions, this might provide cold comfort for Israel. To attain such conditions, each side must prepare protected, essentially symmetrical second-strike capabilities. That is, stability requires that each side stand wholly exposed to the destructive power of the other. It is an interesting question whether Israel would find such "equivalence" agreeable. Though they have threatened Israel's extinction, the Arab states have never had a reasonable prospect of making good the threat. This would change if the term "military balance" in the Middle East acquired a literal meaning in lieu of its current usage as a euphemism for Israeli superiority.

In addition, it is by no means proven that in conditions of approximate equivalence, nuclear weapons deter all levels of conflict. If the Arab states were to opt for a strategy of territorial recovery in small increments by conventional means, Israel's dilemma would be whether to risk certain national destruction by immediate resort to nuclear weapons, or to fall back on a conventional defense. Now, however, Israel would find its conventional forces weakened by the previous

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decision to adopt a "new look" in defense, and its conventional options constrained by the Arab nuclear deterrent.

As for practical difficulties, no acknowledged nuclear power has had to solve the problems associated with very small territorial extent. Israel's impact is such that we sometimes forget that it is about the size of New Jersey. The smallest nuclear power, the United Kingdom, is more than ten times as large, not including its overseas possessions, and the United Kingdom is itself smaller than Oregon. Configuring a survivable nuclear strike force requires considerable ingenuity in any case, but such small size creates enormous additional difficulty. For example, basing considerations probably rule out missile-firing submarines of the type we are used to thinking about. Only one Israeli port from which modern strike submarines might operate springs readily to mind, and even if others were to be developed the number would always be small. It would be altogether too easy for Arab attack submarines to shadow Israeli boats as they left home port; unexplained "accidents" at sea could too quickly claim a major portion of Israel's deterrent force.

If, through mobility, concealment and hardening, strike-force survivability could be reasonably assured, Israel would still confront the problem of locating nuclear weapon manufacture and storage sites. There are few locations in Israel where these tasks can be accomplished with some assurance of security. None of the locations is far removed from Arab territory, and the Arabs can probably make some plausible guesses about likely hiding places. Mobility is not much help with this problem, and concealment and hardening are in some respects mutually incompatible. In another round of fighting which opens conventionally, Israel would be obliged to consider nuclear production and storage facilities threatened at the outset. This would be doubly so if Israel's conventional capabilities were neglected. Ironically, a nuclear strategy would seem to require retention of occupied territory in order to protect nuclear facilities in the context of reduced conventional strength.

All of these arguments may be swept aside if, as Tucker asserts, historic and technological imperatives must in any case drive the sides to nuclear confrontation. Perhaps Israel and the Arab states cannot be persuaded that their own interests are best served by avoiding nuclear strategies, but the United States need not encourage such a development. As a matter of policy, we should continue to design military and economic aid programs which promote conventional military postures in the region. Moreover, our assistance actions should not be open to misunderstanding; the parties must make no

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mistake about our intentions in this regard. If this has the ring of free advice, recall the recent flap over the Pershing missile, or the promise of a nuclear power station for Egypt.

VI

But deterrence need not rely solely on military strength, nuclear or conventional. Any combination of factors making attack repugnant can deter. For the Middle East, the best deterrent measure at hand is the establishment of demilitarized zones, manned by neutral observers, through which either side would be extremely reluctant to attack.

U.N. Security Council Resolution 242, the consensus framework for overall settlement, acknowledges the requirement for demilitarization. Moreover, there seems to be widespread agreement that demilitarization provisions might endure if placed in an international peacekeeping context and backed by appropriate guarantees. For example, writing in these pages more than five years ago, John C. Campbell offered an outline proposal, based on Resolution 242, calling in part for demilitarized zones on both sides of future frontiers and for total demilitarization of the Gaza Strip, the Golan Heights and Sharm-el-Sheikh, all with international peacekeeping and guarantees.[3]

Campbell's proposal has stood up well over the years but, in common with many peace plans, it says too little about functional arrangements for demilitarization. Naturally, final technical details would have to be worked out by the parties in direct negotiations, but as things now stand such negotiations would quickly break down. On the technical details of size of demilitarized zones and strength and composition of Arab forces permitted to return, we may expect directly opposed views, with compromise carrying nearly as much danger for Israel as no agreement at all. On the issue of offsetting demilitarization, for example, there is room in Israel for little more than symbolic demilitarized zones. But if the Arabs match only the small size of postulated Israeli demilitarized zones, the shield erected would be too thin to permit relaxation of Israeli fears.

The way out of these difficulties is for the parties to accept in advance a formula of total return and total demilitarization. By agreeing to total return, Israel would accept the reassertion of authority by Arab governments in all of the occupied territories; by consenting to total demilitarization, Arab governments would accept limitations

[3] John C. Campbell, "The Arab-Israeli Conflict: An American Policy," *Foreign Affairs,* October 1970.

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on their authority in the returned areas, limitations aimed at safeguarding Israel's security.

If such a formula were accepted, operational details of demilitarization could be worked out without difficulty, perhaps along lines such as the following:

(a) A ceiling would be set on Arab military forces allowed to reenter each of the territories. Very small forces, perhaps as few as 1,000 men each, would be allowed in the Sinai and on the Golan Heights, where their main purpose would be to show the flag. Larger but still quite modest forces would be needed in the West Bank and Gaza Strip to ensure public order.

(b) No heavy weapons or combat aircraft would be permitted to re-enter. Equipment for returning Arab forces would be restricted to small arms and automatic weapons below .50 caliber, but no mortars, artillery or missiles; trucks and armored personnel carriers, but no tanks; helicopters, liaison and cargo aircraft, but no overflight or basing of fighters or bombers.

(c) No intrusion of armed ships into waters adjacent to returned territories would be permitted.

(d) Both sides would accept international verification and inspection of the limits established. If Israel were unwilling to accept international, U.N.-sponsored inspection, the United States should be willing to assist with this function for a limited time. Inspection and verification by "national means"—that is, reconnaissance flights by the parties over the demilitarized zones—would not be permitted.

(e) The limitations outlined above would apply to the entire West Bank and Gaza Strip. On the Golan Heights, they would apply to all the ground still under Israeli control. They would apply to the entire Sinai, including areas from which Israel has withdrawn or been expelled already and the small salient near Port Fuad not captured by Israel in 1967. Demilitarization provisions should not apply inside Israel's pre-June 5 borders. However, if this were to constitute a final stumbling block, Israel should agree to face-saving provisions involving token demilitarization inside its borders.

Such a proposal aims at removing strategic obstacles to an overall settlement by creating the possibility of an effective deterrent to war. Egypt is the key; without Egyptian participation, other Arab governments would likely be deterred from major attack. And Egypt could not attack Israel because it could not concentrate forces east of the Canal. To be foolproof, however, the checkpoint for Egyptian personnel and equipment would have to be at the Canal. Once into the Sinai, it is just conceivable that equipment could be hidden and forces

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prepared for a surprise build-up. That is why demilitarization of areas already returned is an important consideration in the Sinai and less so on the Golan. With total demilitarization, no Egyptian demand for removal of observer forces could produce a sudden crisis, as was the case in 1967. Moving Egyptian forces across the full expanse of the Sinai would require time in which Israel could mobilize and international pressures could come into play. Even so, the sides should be urged to accept the sensible provision that neither be able to dictate removal of observer forces.

Since it is acknowledged that Israel's security ultimately rests on the strength of its armed forces, it is of more than passing interest that the proposal outlined here would have the effect of perpetuating Israel's local military superiority. Israel would be able to defeat quickly Arab forces of the kind permitted to return and would be able to do so without major new, and potentially destabilizing, developments in the arms race. The Arabs understand this fact, which is at the bottom of their stated unwillingness to demilitarize returned territory without offsetting demilitarization in Israel. An outsider cannot know whether this is a serious, as opposed to a negotiating, position. Israel could counter by pointing out that most of the demilitarization would take place on territory it now, in fact, controls. If military forces of the sides were to draw back in step from present positions until Israel's Army was camped on the pre-June 5 lines, Cairo and Amman would be demilitarized, and Damascus nearly so.

But it is the enormous appeal of total return which must be relied upon to produce an Arab concession on demilitarization. Thus, each milestone passed in an extended step-by-step diplomacy successively reduces the incentive to demilitarize. For the years ahead, we should like to help create a situation in which Arab leaders would be able to stress to their domestic audiences that, no matter how much all would enjoy another round with Israel, it is just not possible, and that this situation arose necessarily out of the requirement to regain territory. This line will be credible only if territorial return is more or less sudden and total.

This is not to say that total return is a straightforward proposition. Like demilitarization, the concept needs to be fleshed out. At Latrun and elsewhere the old lines require mutually agreed modification—"minor rectification" is a term often used. Minor rectification of the borders contains in itself a network of problems, each dauntingly complicated. But, with demilitarization of returned territory, these problems could be seen for what they are: a variety of disputes involving history, emotion, religious belief and property rights, not security.

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In addition to calling for a change of focus from incremental to overall settlement, this analysis suggests the possibility of a defect in the specifics of the step-by-step procedure as executed to date. "Step diplomacy" has been attacked cogently on a number of grounds, notably by George Ball.[4] But the possible impact of the steps on prospects for eventual demilitarization has not drawn widespread comment. The First Egypt-Israel Disengagement Agreement (January 18, 1974) reportedly authorized Egypt to leave 7,000 troops, 36 artillery pieces and 30 tanks on the Sinai side of the Canal. The Second Agreement (September 4, 1975), in addition to enlarging the area under Egyptian control, specified that Egypt could station eight standard infantry battalions, 75 tanks and 72 artillery pieces east of the Canal, with total manpower limited to 8,000 men. Reconnaissance aircraft of either side may fly up to the midpoint of the buffer zone between their forward positions. The Israel-Syria Disengagement Agreement (May 31, 1974) also reportedly permits the limited reintroduction of tanks and artillery into Golan areas evacuated by Israel.

All this is the stuff of which renewed tension is made. But the greater danger is that such a process, if continued in future steps, will lead to the "remilitarization" of the territories. Moreover, if, as seems likely, demilitarization arrangements are a desired element in any future overall settlement, then the situation is complicated rather than simplified by the steps already taken. For example, for the Arabs to agree to the type of total demilitarization proposed here would mean that they must withdraw heavy equipment already in place. Psychologically, at least, this is a more painful step than simple agreement not to reintroduce such equipment. For this reason, even if the United States is unable to move the parties toward an overall settlement now, it is essential that we have some vision of the final settlement we hope to help construct. Otherwise, we may unwittingly create impediments to an overall settlement during the step-by-step process.

VII

It has not been the purpose of this analysis to offer yet another comprehensive Arab-Israeli peace plan, but rather to deal with security-related territorial concerns. Regarding this limited aspect of the problem, it should be understood that Israel must make the important concessions. It is Israel that is being asked to depart East Jerusalem, the Golan Heights, the Gaza Strip and Sharm-el-Sheikh. Israel has vowed never to leave any of these places and it is by no means certain

[4] Mr. Ball's fullest and most recent discussion is in "Kissinger's Paper Peace: How Not to Handle the Middle East," *The Atlantic,* February 1976.

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that it can be induced to forsake this vow. For it to do so would require at a minimum both great statesmanship in Israel and considerable pressure from the United States.

On the other hand, a comprehensive settlement would call for the Arabs to make far-reaching, but largely intangible, concessions—in particular, to recognize Israel and normalize relations. In extracting these concessions, it is territorial return which constitutes Israel's chief bargaining counter. But the suggestion here is that, insofar as security is concerned, what Israel requires in exchange for territory is demilitarization. Following an overall settlement in which Israel trades territory for Arab pledges to end belligerency, obstacles to normalization are sure to crop up; renewed tension is a believable forecast. Having given up cash for credit, Israel is likely to feel betrayed if relations subsequently deteriorate. But it need not feel threatened, provided only that returned territories are demilitarized.

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BETWEEN CAIRO AND DAMASCUS

The Arab World and the New Stalemate

By Fouad Ajami

If the October 1973 War represented the zenith of pan-Arab solidarity, the Sinai Accord, concluded in September of 1975, must surely represent its ebb and disintegration. With the outbreak of the October War and the deployment of the oil weapon, the dreams that had for some time tantalized the minds of politically conscious Arabs appeared to be coming true. A traditionally divided Arab world was acting in unison and Arab armies were finally getting a chance to redeem their honor in a sharp break with a humiliating record of defeats. And the superior and resented West was finally being humbled and made to pay for the psychological scars and political and cultural dislocations that its dominance had inflicted upon the Arab world.

To the faithful among the Arabs it seemed as though wrongs were beginning to be righted, that the Arab world had managed to find its place in the sun. For a culture that had always viewed the world with a large measure of fatalism and that had sustained itself through a long stretch of frustrations and setbacks by dreams of sudden resurrection, it all seemed to make sense and to conform to a cyclical vision of history which sees individual careers and whole social orders rise and fall in a somewhat mysterious manner that is often seen as a way of humbling the mighty and redressing the grievances of the weak. The achievements in October of 1973 seemed to lend credence to what the most ambitious advocates of pan-Arabism and Arab solidarity had claimed for their vision: a united Arab world capable of getting over the problem of impotence and international neglect.

Two years later the euphoria had dissipated, and traditional Arab rivalries and differences, papered over and perhaps forgotten during the October War, had reemerged. The Sinai Accord brought them out into the open and confirmed the deep division in Arab ranks. Arab politics, like politics elsewhere, has its ironies, and the irony of the Sinai Accord and the polemics and passions it stirred lay in Egypt's relation to Arab solidarity. Throughout the Nasser era it was in Cairo that the banner of Arabism was hoisted and to it that non-Egyptian Arabs turned for material and moral support. Cairo's friends were the believers in Arab unity and solidarity, its enemies the stooges of imperialism, lackeys of the West and secessionists who failed to abide

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by the imperatives of Arab unity. Today, Arabism is the rallying cry of Cairo's adversaries, principally the Syrians and the Palestinians. Sadat is denounced as an instrument of imperialism, a plotter who obtained a settlement in defiance of the collective Arab will.

While the bitterness of the response to Sadat's policies can be explained by what his adversaries see as his betrayal of the overall Arab cause, it is also, in part, an expression of the anguish and the frustration that many Arabs now feel about the anticlimactic results of the October War. Throughout 1974, the mood was one of jubilation and enthusiasm. The eyes of the world seemed to be focused on the Arab world and there were, from the Arab perspective, many important breakthroughs: diplomatic triumphs culminating in Arafat's appearance at the United Nations in November of 1974; the forging of a Third World coalition in that organization in which the Arabs played a leading role; and, of course, the drastic increase in Arab wealth due to massive oil revenues and what these were thought to entail for the redistribution of world wealth and power. The sky became the limit and what remained was for the objective world to approximate this vision and to reflect it.

But vision and reality do not often converge in this world, and the events and steps that ensued were destined to create disillusionment and to lead to the characteristically human search for scapegoats and explanations. Sadat's seeming defection was the most obvious and convenient scapegoat, hence the furious response to the Sinai Accord. But his adversaries, while narrowly focusing on that particular issue, are expressing the anguish of having to wake up from the dreams of October 1973 to the full glare of a set of harsher realities. There is in the air the oppressive burden of a new stalemate, and a growing feeling that a new way out of it has to be found. Sadat and the Sinai Accord may be the immediate targets, but the sources of the malaise are deeper and more encompassing.

Four such sources suggest themselves: lessons learned about U.S.-Israeli relations; reemergent and new frictions between Arab states and groups; resentment that the costs and benefits of the October War were inequitably shared within and among Arab countries; and, finally, a general concern about the thrust of a "de-Nasserized" Egypt. After dealing with these concerns, this essay will explore what the politics of stalemate are likely to mean for competing political choices and rival leaders in the Arab world.

II

From the onset of the October War to the conclusion of the Sinai

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Accord, the tangled diplomacy in which the American role was paramount emphasized, among other things, that Israel, though dependent on American goodwill and support, was capable of resisting American pressure if that pressure was seen to be at odds with Israel's reading of its own interests. Arab imagery of Israel as a "bridgehead of imperialism" had fostered a belief in the Arab world that once America really commanded, Israel was bound to obey, and so had the precedent set by Eisenhower in 1956 when he did obtain Israel's withdrawal from Sinai. But the post-October 1973 developments delivered a different message: Israel *could* stall and refuse to make the concessions to which the major powers, the United States included, had publicly committed themselves in order to meet the demands of the Arab oil-producers. Israel's response was that the oil needs of the Western world were one thing but its own security was quite another; the Western world should do what was needed in order to reduce its dependence on Arab oil and its vulnerability to Arab demands.

There was another lesson about the nature of the American political system itself, paralyzed for a while under the burden of Watergate and severely weakened by the presence in the White House first of a man under a vast cloud of suspicion and later of a weak unelected president. In such an atmosphere, Israel's American constituency held fairly strong cards and to pressure Israel to make any concessions that it saw to be antithetical to its own interest would have been difficult. When the Kissinger shuttle collapsed in March of 1975, an effort was made under the label of "reassessment" to bring Israel's policies in line with America's wishes, but it should by now be blatantly obvious that "reassessment" remained a slogan, a pause before the two parties, Egypt and Israel, were to meet again under American auspices. If the purpose of reassessment was to generate U.S. domestic consensus behind pressuring Israel to make more and quicker concessions, then surely it must stand as one of Mr. Kissinger's less glorious chapters.

This notwithstanding, Sadat for one persists in clinging to the belief that Israel is vulnerable to American pressure; in his own words America is seen as holding 99 percent of the cards. What matters, so Sadat seems to be saying, is sufficient pressure at an appropriate time, and the chance will supposedly come after the 1976 elections. In all fairness, it must be pointed out that he is hardly original or alone on this point. Until very recently this was a fairly standard assumption in the Arab world. The realities of 1974 and 1975 have now wiped it out and left confusion and pessimism on the Arab side about the way the outstanding territorial and political issues with Israel can be settled, if at all.

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For seeing Israel as a tool of American policies, a small state unable ultimately to defy America's will, held the promise of a somewhat easy solution—a solution that conceivably would avoid both another military confrontation and direct Arab-Israeli negotiations—which Arab rulers were for a long time unable to come to terms with and which, given the depth of the antagonism and the complexity of the issues, tended to promise nothing but stalemate and indecision. With that relatively easy solution—pressuring America through an oil embargo to pressure Israel—qualified and challenged by recent events, the stark alternatives that stand out—either accepting the status quo or digging in for a long war—are decidedly more taxing and gloomy.

Second, what Sadat's rivals see as Egypt's defection comes at a time when the Arab political landscape is once again checkered with conflicts and rivalries. Some are of long standing and not directly connected with the conflict with Israel: between Egypt and Libya over everything under the sun; between Algeria and Morocco over the Sahara; between Iraq and Kuwait over disputed territorial claims; between Iraq and the Emirates over the Oman revolt.

It is, however, Syria that is most of all the center of a network of rivalries, as it is also the center of opposition to Sadat. Part of the Syrian quarrel with Iraq is of long standing, over ideology and the sharing of the waters of the Euphrates. But the reconciliation between Iraq and Iran has given it a new twist today: the Syrians accuse the Iraqi of retreating from the tenets of Baath socialism and even of tacit support for Sadat's designs for the region, while the Iraqi accuse the Syrians of playing the American game, abandoning their commitment to war against Israel and manipulating the Palestinians toward a compromise solution. That both sets of charges are rife with inconsistency simply emphasizes the depth of the hostility they reflect.

Similarly, whereas Assad has achieved a dramatic reconciliation with Hussein in Jordan, his unremitting effort to create an effective Arab coalition against Sadat runs at once into another fissure: the irreconcilable split between the Palestinians and Jordan. Syria is poised right in the middle between two parties who harbor deep-seated resentments of one another and whose visions as to the future of the West Bank are diametrically opposed and impossible to reconcile. In this triangular relationship Syria's balancing act is always delicate and precarious: it needs to assure King Hussein, learn to coexist with him, and secure his firm opposition to Egypt, but without giving the impression of associating Syria with his anti-Palestinian posture and commitments. The task is likely to grow more difficult and sensitive if Hussein attempts—as recent signals such as the recon-

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vening of the Jordanian parliament with West Bank representation indicate that he may be doing—to supersede the Rabat resolutions of the Arab summit in 1974 that gave pan-Arab blessing to the Palestine Liberation Organization as the sole legitimate representative of the Palestinian people.

In September 1975, one would have put Lebanon near the top of any list of sources of conflict in the Arab world. The situation there reflects not only the historic cleavage between Muslim and Christian within the country, but also the wider problems of class antagonism and warfare between rich and poor throughout the Arab world, and finally the relationship of the Palestinians to the Arab countries which are their uneasy hosts. Essentially the Maronites took to arms last year (quite possibly with some support from conservative Arab elements outside Lebanon) to reaffirm the threatened position of the Christians and their politico-economic dominance and to bring the growing Palestinian presence under lasting control; against these aims were joined (with strong material support from Libya) the Left, the poor, the Muslims except for those most tied into the Establishment, and—in sympathy and eventually in decisive support—the Palestinians.

The events of this January appear to have decided these issues, at least temporarily. In the face of Christian offensives that escalated the fighting almost completely out of control, Syria intervened through the use of a Palestinian brigade and decisively shaped a "negotiated" outcome. The pattern of the fighting had clearly revealed that the Phalangists on the Right, realizing that they could not restore the old Lebanon in which the Christians traditionally prevailed, had decided to go for a second-best solution: the partition of Lebanon. Syria's intervention has, at least for now, frustrated that scheme and given the country a badly needed breathing spell and an opportunity to see whether the Lebanese talent for Phoenician bargaining and compromise can assert itself once again and come up with a formula that gives the contending elements a vested interest in a new order.

Lebanon has always been a theater for the ambitions of more powerful Arab states and interests; all of them have been, in one way or another, involved in its recent crisis either as backers of certain movements or as anxious intermediaries trying to patch up the system and keep it together. With Lebanon finally facing the prospect of dismemberment and ruin, Syria took the initiative and in so doing lent substance to its claim and vision of itself as the new standard-bearer for militant pan-Arabism. For President Assad, the intervention in Lebanon was a clear personal and political victory; he brought the fighting under control and, moreover, did so without providing Israel with

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a pretext for the intervention that would surely have been the response to any direct Syrian incursion into Lebanon.

Regionally, Assad's victory was obviously Sadat's defeat. Little less than two decades ago, when Lebanon was in the throes of another war, it was Egypt that held sway in Lebanese politics and to Nasser that the Muslims, the pan-Arabists and the Left turned for support and guidance. In a telling contrast with the past, Sadat remained helpless and marginal throughout this entire crisis, reduced to making pleas for reason and compromise to Pierre Gemayyel, the leader of the Phalangists, and to accusing the Syrians of meddling in Lebanese politics. In retrospect, both Sadat's appeals and charges turned out to be futile and irrelevant. Before other Arabs, Assad stands as the man who arrested Lebanon's drift toward partition, and who cared enough to step in and attempt to put an end to the terrifying spectacle of violence and destruction. From Syria's vantage point, this success was another reminder that the politics of compromise does not pay, that the center of gravity in the Arab world may have shifted away from Cairo, that Nasser's mantle has been picked up and claimed by Assad.

Third, the events since 1973 have kindled another kind of sharp division within the Arab world. As its roots were expressed last summer by an Egyptian intellectual:

> The Arab effort in October was not properly and equitably shared, and nor were the results. While some willingly sacrificed their blood, and the blood of the best of their youth, others simply accumulated large fortunes due to the gold that flooded their coffers. The rich got richer, whereas those who initially spilled their blood had to turn around and spill their dignity asking for a little of the material wealth that others had acquired because of the sacrifices made by the poor.[1]

The grievance is clear and profound enough: under the cover provided by the October War, oil prices were drastically raised, but the massive wealth thus generated served only to aggrandize the fortunate few at the expense of the majority that had shouldered the burden of war. The resentment thus bred has tended to color the relations among rich and poor Arab states, as well as the relations between rich and poor in the internal politics of most Arab states.

Altogether this has led to a very subtle, gradual and, in my judgment, important reassessment of the October War and its meaning. Two years ago the war was a glorious chapter in Arab history whose fruits, at least on a psychological level, belonged to practically every Arab. Today, there is a growing feeling that the whole thing has played into the hands of privileged Arab states and groups. Those

[1] Rifaat Al Sai'd, "The Arabs: United by War, Will They Now Be Divided by Peace?" *Al Tali'a* (Cairo), August 1975.

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who reaped the benefits of the October War are now seen as all too willing to forget the Palestinians—and as having launched the war and deployed the oil weapon in order to outflank the Arab radicals who were getting powerful before October of 1973 and to attract the attention of the West to their needs and demands.

Having done so in October, so this reasoning goes, they are now willing to be accommodated by the West into the "restructured" international system that Mr. Kissinger is fond of talking about. Egypt and Saudi Arabia are seen as disinterested in conflict and war; the first because it is poor but led by a consumption-oriented elite; the second because it is so wealthy and has so much to lose. The rights of the Palestinians and the Syrians are secondary: the moderate actors simply want stability and order so that the greedy poor can get wealthier and the wealthy can be left alone to enjoy their wealth, to invest their money, and to play the role of nouveaux riches in the international system that they had coveted for so long. Thus, the October War has gone sour: even Qaddafi's label for it as a comic-opera war is becoming more popular.

As for the new oil wealth, now that the initial desire for revenge against the West has been fulfilled, there is the realization by the poor, and to a certain extent even by elements among the middle class, that the wealth is not really theirs, that it has come to fuel inflation and to marginalize them, to drive up the price of property and goods—as it clearly did in Lebanon—much to their own detriment. Poor Syrians, Lebanese, Egyptians and Palestinians may try hard to share in the vision of the Arab world becoming—according to Sadat—the sixth power in the world, but that vision only serves to highlight and aggravate their sense of frustration and insignificance.

Prosperity for a segment of Arab society—and this is really the salience of the rich-poor split in the Arab world for international politics and for the Arab-Israeli conflict—is now linked and identified with the pursuit of peace, by those who stand to benefit economically from a stable and peaceful Middle East. The interests of those left out of this "peace and prosperity" package are then in war and in destroying the stability that Sadat and those who support him seem to be committed to. What this means is an intrusion of class politics and class conflicts into the Arab-Israeli confrontation, which can only add to the intractability and explosiveness of questions that hardly need further complications. That the international problems of the Arab-Israeli conflict can be insulated from what should, on the surface of things, look like strictly domestic ones for Arabs to settle among themselves is nothing but wishful thinking in an age when the boundaries,

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everywhere, between domestic and international politics are increasingly blurred.

Finally, Sadat's critics fear that Sadat and his entourage are not only pushing Egypt steadily to the right, but are also engaged in a thorough retreat from the regional commitments of Nasserism. According to those who believe in this line of interpretation (and they range all the way from Qaddafi-type Arabists to Egyptian Marxists and certain groups of students), the twin pillars of Nasserism—socialism at home and pan-Arabism in foreign policy—have been pushed aside in a deliberate and steady effort, augmented by a violent campaign in the press against Nasser and his memory and achievements. The fear is that under the label of de-Nasserization, old elements are busy dismantling what was achieved over the course of two decades—in order to recreate a more conservative society committed to middle-class economics at home and to pro-Western politics in the international system. Such a society would then ignore the Egyptian poor and compromise on the demands of the Palestinians and the Syrians in an attempt to get closer to the West and to open the country to Western investments and influence.

Thus, a de-Nasserized Egypt would not only be a state committed to stability and disinterested in war, but also a state in which the "Egypt-firsters" would prevail over the pan-Arabists and minimize the claims of Arabism in favor of strictly Egyptian national interests. Sadat's critics may not phrase it this way—and there is some understandable psychological reluctance to do so—but they are deeply worried that Egypt's commitment to Arabism may have been, for the most part, a strictly Nasserist commitment and that Egypt is turning inward to focus on its own problems and needs. The current Egyptian elite, it is felt, could perhaps convince a poor population that Egypt's entanglement in the politics of the Arab world over the course of the last two decades was, for the most part, a disastrous and costly enterprise, and that abandoning that involvement—and the high anti-Israeli profile that goes with it—is essential if prosperity is to be realized.

III

For obvious diplomatic reasons, Mr. Kissinger too may not publicly state it this way. But a similar vision is, no doubt, the cornerstone of his policy. Barring any overall settlement—which seems as elusive and unlikely as ever—he has obviously come to hope for and to rely on precisely the same scenario that troubles Sadat's critics: a more "reasonable" and moderate Egypt that subordinates war to the quest

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for economic viability, that seeks its own interests independent of the more intractable demands of the Syrians and the Palestinians, and that pursues them sheltered from the passion, noise, and seeming totalism of Arab politics.

Several years ago, in discussing the Vietnam negotiations, Mr. Kissinger gave a piece of general advice that he has obviously failed to apply in the Middle East: "Paradoxical as it may seem, the best way to make progress where distrust is so deep and the issues so interrelated may be to seek agreement on ultimate goals first and work back to the details to implement them."[2] Political realities and divisions in Israel, confusion in America, and perhaps Mr. Kissinger's way of conducting diplomacy coalesced in the period since the October War to avoid coming to terms with the "ultimate goals" of a peace settlement in the Middle East. Instead, step-by-step diplomacy sought to get around these goals by seeking to "disaggregate" the Arab case and by relying on an "Egyptian solution" of sorts.

If Egypt was, as Sadat has frequently described it, the center of gravity in the Arab world without whose leadership "there can be no war and no peace in the Middle East," then it made sense, in the absence of a general peace settlement, to render the military option for the Arab world less credible and likely by removing Egypt from the military confrontation. In the process great emphasis was placed on Egypt's moderation, its immunity to Arab frustrations and currents, and its insularity from the larger Arab world. The American media anxiously and uncritically picked up the new theme; suddenly the Egyptians became a moderate and war-weary people—indeed with a "national character" that makes them unfit for war and disinterested in it—with irresistible Western preferences and tendencies that were repressed under Nasser and were now experiencing a renaissance under Sadat. Sadat's visit to the United States in late 1975 fitted nicely into this scheme of things; it gave Kissinger the chance to rehabilitate his guest in America's eyes and to show the American public a prototype of the Arab moderate: a statesman anxious for America's friendship, investments and technology to help him forego war and transform a stagnant economy faced with overwhelming problems.

The trouble with this vision of things is that it is too easy and simplistic. The war-weariness theme has been overplayed with strange naïveté. War is not a hobby that absorbs a nation for a while, to be discarded at a later time, either out of boredom or fatigue or the lure of a new hobby. For Egypt as for other states, military confrontations are taxing, bloody, and serious matters that leaders weigh against

[2] Henry A. Kissinger, "The Viet Nam Negotiations," *Foreign Affairs*, January 1969, p. 229.

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other values and concerns, that they forego at times and opt for at others. And opt for it they do even when the military odds are against them, for in Egypt and elsewhere a military defeat is not necessarily the worst thing that can befall a governing regime.

Equally easy and hollow is the Egyptian insularity theme. It makes it seem that the Egyptians of yesterday were fanatic, devoted, pan-Arabists who blindly sacrificed Egyptian interests and squandered domestic resources in pan-Arab wars and adventures, and that the Egyptians of today, realizing the error of previous ways, have decided to "come home" and free themselves from the pan-Arab quagmire. This perspective is based on too superficial an understanding of recent Egyptian history. Contrary to the stereotype of Nasser's Egypt implied in this perspective, Nasser was just as bound by and committed to Egypt's national interests as other rulers were to those of their own nations. Pan-Arabism was one of several forces that operated on him and that he, in turn, used and weighed against other forces and interests. He was not a helpless captive of pan-Arabism. Quite the contrary, throughout his life, the blend between Egyptian interests and pan-Arabism shows the predictable dominance of the former, lending credence to the arguments advanced by both pan-Arab ideologues and careful analysts that pan-Arabism under Nasser was, for the most part, an instrument of Egyptian foreign policy.

Indeed, that is what Sadat has been trying to say to those who charge him with betraying Nasserism. In addition to asserting that he is his own man who will reach his own blend between Egyptian interests and pan-Arab ones, he has also been counseling better and more realistic understanding of his predecessor. The lesson here is that just as the Egyptians of yesterday were not and could not be fanatic pan-Arabists who set aside Egyptian interests in pursuit of the pan-Arab dream, those of today are not and cannot be fanatic Egyptian nationalists who seek a separate destiny and a separate future from the surrounding Arab world to which they are bound by emotional and historical links as well as sheer economic interest. In the real world, the pendulum rarely swings that far.

With such contradictions and shaky foundations, the "Egyptian solution" was, nonetheless, adopted and hailed for a while. Given the history of warfare in the Middle East and the intractability of the issues, it seemed like a reasonable alternative. Time, everyone was told, was badly needed in the Middle East, and the solution was buying precious time in which passions would subside and the adversaries would come to realize their common interest in peace.

But buying time explains a minor portion of the appeal of the

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Egyptian solution. The major one lies in the fact that the solution postponed the moment of reckoning and the agony of defining the "ultimate goals" of a peace settlement. It is obvious that defining these goals would have had to include an honest coming to terms with the Palestinian issue—no longer a humanitarian one that addresses the needs of downtrodden refugees but a political one with a bid for creating a new state in the region. And on that question Israeli politics and, to a lesser extent, the views of Israel's constituency in America, except for a few voices to the contrary every now and then, remain unbending and unwilling to change.

It is as though there is psychic and moral space for only one historical claim and legacy in Palestine and that recognizing the legitimacy of Palestinian nationhood compromises Israel's own version of history and calls into question Israel's own moral legitimacy. This must explain why Mr. Rabin's stance seems even to get harder as the cause of the Palestinians gains greater momentum and worldwide acceptance. His response to the mounting pressure on him to be more forthcoming on the Palestinian question was the authorization of more settlements on the Golan Heights and a warning that if pushed harder Israel may resort to military force sooner than suspected. His stand, unless tough words are intended to cover a retreat from the old policies, suggests that the "historic compromise" between Israel and Palestine is as elusive as ever, that the area is at a new stalemate, and has not yet seen its last major military conflict.

IV

As the patience with the current stalemate begins to wear thin and as Sadat's path loses legitimacy and adherents, what men and ideological persuasions will point the way out for the Arab world? It is difficult to say with certainty because different Arab states and groups within states will march to different drums. But there are some tentative lines of development from which one can speculate as to the overall mood and hence as to the character of the ideologies and persuasions that might carry the day.

At the outset it can be stated that the next phase is destined to be extremely anti-American in its orientation. As the post-October period gets reconstructed, Kissinger's diplomacy in particular and America's role in general will come to be viewed with great bitterness and a sense of betrayal. If the October War was a spectacular (though admittedly intangible) victory, then someone was responsible for its disappointing harvests, for cheating the Arabs, so to speak, of the fruits of their victory, and for dissipating the momentum of that ex-

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hilarating period that followed the war. In such a vision America's role will be interpreted, indeed has already been, as a deliberate effort to buy badly needed time for Israel at a critical juncture of history when Arab unity was at its height, when Third World solidarity as a whole was most effective, and when the Western-based international order seemed most vulnerable. If America is identified as the culprit, the demand for revenge and retribution against her will also imply a turning against her local collaborators and against those who were duped by her and who compromised October 1973 Arab unity and got it bogged down in the harsh and frustrating, and from the perspective of that mood, irrelevant terrain of domestic American politics. The new mood will thus hardly turn out to be a liberal Western mood. It can be expected to enhance the role of puritan, austere, fundamentalist, and uncompromising leaders: men who are ready to take on the West again, to spare their audience frustrating discussions of the details of American politics, and of what is possible and what is not in a reasonable and rational world.

Whatever variety it comes in, the fundamentalism spawned in the Arab world is obviously anti-Western, with deep, historically derived antagonism toward the West, its solutions and ways as well as its local adherents. Indeed in the Arab world as elsewhere, the local converts to foreign ideologies and influences are more deeply resented and despised; they are seen as the fifth column that surrenders to more powerful outsiders, that is seduced by the lure of foreign preference and ways. This goes a long way toward explaining the inability of liberalism to take hold in the Arab world. A quarter-century ago it was decisively routed by a more collectivist, more domestically based generation, with its influence surviving in a small country like Lebanon, an obviously unique case. Quite recently Sadat gave Western-style liberalism a new lease on life in Egypt, and with such an important base, it surfaced again on the Arab marketplace of political ideas and choices. But violence, not liberal reason, has won the day in Lebanon. And the prospects for liberalism in Egypt are destined to grow dimmer given the level of deprivation in that country and the crushing burden of the gap between those who matter and those who don't —as well as the inability of the liberal path to deliver more than a limited withdrawal on the confrontation with Israel.

If the moderate liberal option and the affinity with, and reliance upon, America can be expected to continue to decline as frustration with the political stalemate grows deeper and more acute, what lines of development can be discerned? What more can be said by way of speculation, besides the expectation that committed anti-Western

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leaders will thrive at the expense of those who are closer to Western interests and political style?

Three broad lines of development suggest themselves as "ideal type" responses in the Arab world to Arab-Israeli stalemate and to the distributive questions explored in this analysis. The first would be a scenario of disintegration and fragmentation; the second a revolutionary "Chinese solution" to the crises that plague the Arab world; and the third would essentially be a repetition of the same cycle of events that led to the October War, i.e., what can be labeled a "radicalization of the center." Let me briefly elaborate on each of the three and state why the third is the most likely.

The first of these, fragmentation and disarray, is the usually implicit, sometime explicit, assumption behind Israel's policy and the one held by some of Israel's supporters in America. October 1973 was a single-shot affair, a stroke of luck that cannot be repeated. What Israel needs to do is "tough it out" for the present, give the Western world a chance to grow less dependent on Arab oil, and wait for the familiar rot to set in again in the Arab world: division in Arab ranks, frustration and ineffectiveness. According to this interpretation, Egypt would be poor and pacified, Saudi Arabia rich and distracted, the Palestinians hopelessly ineffective, Jordan as marginal as before, and Syria would stew in its juices deeply resenting the status quo but unable to do much about it. The Arabs would then simply bicker and fight among themselves; they would grow increasingly demoralized and their politics would succumb to patterns of coups, conspiracy, communal and ethnic battles, and divisive and purposeless rebellions. Plagued with their own problems—or, for the rich among them, distracted by their wealth and gadgets—the Arabs would forget about Israel, except for the occasional rhetoric against it, and in time, perhaps capitulate and accept "political facts."

The second scenario takes the same bricks—stalemate, frustration, class antagonism—but builds with them a different structure: a radical Arab society which, like North Vietnam and China, would both fight external enemies and construct a more equitable and revolutionary society: one that sweeps away the decadence of the past, transcends petty squabbling, and restructures social relationships. Arab wealth would be collectively owned, basic human needs would be fulfilled, and the problems inherited from a feudal tradition—oligarchy, authoritarianism, corruption, disregard for the public interest—would be replaced by revolutionary discipline and dedication. This is the dream of groups such as the Popular Front for the Liberation of Palestine, of radical leftists in Lebanon, and of other radical and

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Marxist groups throughout the Arab world. That vision assigns a central role to the current stalemate and the frustration it engenders: out of the stalemate and the chaos that it is destined to create would emerge a highly polarized situation that would discredit moderates and create the appropriate context for revolutionary and ideological politics.

In my opinion, neither line of development is likely to materialize, at least in the near or even the medium-term future. The first is for the most part based on sheer fantasy and wishful thinking, because it fails to consider the post-October 1973 changes in both the global context as a whole and in the Arab world in particular. Globally (to summarize what has by now become a standard commentary on the "new" international order), we do live in a somewhat different world: a more egalitarian one in which new centers of power and wealth have proliferated, in which the West is less omnipotent, and in which both the weaponry and ideology needed for people to take matters into their own hands are more widely distributed. In the Arab world itself, there is infinitely greater wealth than ever before and new capabilities. October 1973 may have failed to pay off in as grand a manner as was thought likely for a while, but it is there, a part of the political memory, and it did prove that Israel was not invincible, that the gap between Israel and a determined Arab world is steadily closing. Current problems aside, the situation for the Arab world is far from hopeless; appropriate leaders and ideologies can pick up the pieces and start over again.

But I doubt if these appropriate leaders and ideologies would come close to a North Vietnamese or a Chinese way. There is neither a Ho Chi Minh nor a Mao on the Arab horizon, and it is premature and a bit romantic to speak of a Chinese-type transformation for Arab society. The frustration and the grievances are profound and deep indeed, but the cultural and psychological obstacles against revolutionary transformation throughout the Arab world are deeper still.

In the aftermath of the 1967 defeat the same noise about revolutionary transformation was made at a time when established Arab regimes were much weaker, politically and morally, than they are at the present; despite that, the revolutionary potential aborted. Analysts and activists alike filled the air with talk about revolutionary change; for example, one astute observer of the Arab scene suggested in *Foreign Affairs* before the outbreak of the October War that the Arab society to emerge out of that context "might well resemble present-day China more than any society now known to us."[3] But as we all know with the

[3] Arnold Hottinger, "The Depth of Arab Radicalism," *Foreign Affairs*, April 1973, p. 504.

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benefit of hindsight, history took a different turn and the Arab center was able to contain and outflank the radicals.

Revolutionary noise notwithstanding, the Arab world has yet to provide a fertile soil for genuinely revolutionary politics. Arab culture is an altogether conservative and rigid one and the radicals remain almost as unable to transcend the constraints and the weight of an inherited tradition as their adversaries. This has led many prominent radical thinkers to grudgingly concede that old habits, modes of thought, and orientations toward the world carry over, unconsciously and with remarkable ease, into self-proclaimed radical movements. This, in part, is a function of the inability of radicals to understand that revolutionary political change is predicated upon overall cultural change, and here the radicals remain extremely uncreative, viewing politics as though it occurs in a social and cultural vacuum. Sadek el Azm, one of the most articulate and perceptive young Arab intellectuals, has gone as far as to argue that underneath the veneer of much of Arab radicalism lies the old "tribalist" mentality: lack of discipline and perseverance, inability to organize on a large scale and to put the interest of the nation as a whole above parochial and clannish concerns. While rejecting some of what he says, many on the Left tend to concede the overall validity of his argument, and there is a growing recognition that radicalism is doomed to futility unless it tackles the cultural underpinnings of politics that have remained remarkably stagnant and unchanging.

In their own way, the radicals share with their liberal adversaries an important tendency which has historically functioned to the detriment of both. Very much like the liberals, the radicals too draw their inspiration from the outside; they approach politics with an imported framework—only from different sources such as China, Cuba, North Vietnam, Marxist theory—into which their society stubbornly refuses to fit. And we have yet to see the historic process whereby radical blueprints undergo the needed "translation" and begin to acquire a distinctly Arab cast: one that proceeds from local needs and problems and that subjects models that worked elsewhere to the acid test of Arab reality; one that changes the way men act in politics, their priorities, and the way they relate to one another. It is safe to say that in the absence of such a process, radicalism is likely to remain more a force that pushes others in the center toward more extreme positions than a force that claims and acquires power in its own right.

Thus, what I have called the radicalization of the center seems most likely. Frustration, unrest, diplomatic stalemate, and the pressure and passion of the radicals would push the centrist Arab actors

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leftward and force them to adopt tougher policies and tactics toward Israel and its supporters in the West than the ones they have pursued since the end of the October War. If the initiative in the aftermath of the war lay with Sadat, it now appears to be shifting to Assad. The latter, only yesterday an enigmatic and stern military officer from the minority Alawi community, now stands as a widely respected leader who has held firm since the end of the war and refused, as the Syrians put it, to shatter the Arab consensus in return for a "few meters of desert land." From a hitherto ungovernable country in which leaders rose and fell with unparalleled swiftness, he has managed to transform Syria into a credible, orderly and disciplined society.

Assad's prestige vis-à-vis his rival in Cairo, and this is a point of particular salience, is only in lesser part a function of Syria's accomplishments in matters related to foreign policy, such as the intervention in Lebanon and the success in securing PLO participation in the U.N. Security Council's recent discussion of the Middle East. More basically, it rests on the kinds of social order that both men seem to have committed themselves to in their respective societies since the end of the October War. In comparison with Assad's Syria—an egalitarian and austere country that remains on a war footing—Sadat's Egypt strikes most Arabs as a lax, undisciplined and inegalitarian society; one in which old elements are back again in the saddle, more committed to their own pursuit of wealth than to any transcending interests and goals. In contradistinction to the austerity of Syria stands Egypt's "Economic New Look" that Sadat and the liberals around him have espoused since the end of the war; a policy that has culminated in the rise of several hundred millionaires at the expense of the poor and in the return to Egypt of the old class distinctions so prominent throughout its history. As a result there is greater overall Arab faith in Damascus than in Cairo; the latter and its leaders are seen as too indulgent to make the kind of commitments that the current stalemate and problems facing the Arab world call for.

Syria's position as the linchpin of a more radical consensus is buttressed by its close ties with the Palestinians and, quite likely in the near future, by a Lebanon more radicalized in both domestic and foreign policies. This much can be asserted: the benign liberalism of Lebanon is clearly a thing of the past. The end of Christian domination, in anything like its old forms and extent, has critical implications for the country's attitude toward the Arab-Israeli conflict. The new Lebanon is sure to reflect more than it ever did before the interests of the Muslims, the leftists—the fit between these two elements is considerable but not quite as complete as some of the conventional and

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prevalent accounts would have us believe—and the Palestinians.

But the Syrian role—as a more radical alternative to the current Egyptian path and potentially as the formulator of a reaffirmed consensus—is not without its problems and pitfalls both for Syria and for the Palestinians and assorted radical groups who have come to pin their hopes on Damascus and its leaders. For Syria, the radical path obviously reduces its freedom to maneuver and to accept a partial diplomatic settlement without raising the specter of domestic disappointment and rebellion. States and leaders can become captives of constituencies more radical and "pure" than they are; once created, certain images and expectations have a way of making concessions, that are reasonable by the standards of diplomacy, seem like an unacceptable retreat from lofty goals and visions. That is why the role assigned to Damascus as "the Arab Hanoi"—the tough holdout—is as great a burden as it is an honor; henceforth, those who believe in its rejection of the politics of compromise, both Syrians and other Arabs, will be applying to what Syria does on the confrontation with Israel a set of exacting criteria under which diplomatic initiatives and bargains, by their very nature, may be seen as unworthy and hence trigger a wave of unrest and disorder.

If the cleavage between Cairo and Damascus adds a dimension of turbulence and tension to today's inter-Arab politics, it may also add a relative degree of stability and moderation, at least for a time. The new Syrian status leaves the Palestinians and others in the Arab world some hope in established politics and some pride in the will of one major Arab actor. It reassures them that the determination to do something for the Palestinians and to see an historical dispute to some kind of honorable conclusion is not yet a spent force in organized and legitimate Arab politics. All this, however, comes at a price that the Palestinians, the radicals, and other "rejectionists" have to pay: together with Syrian sponsorship go the discipline and strict limitations that Syria will impose on their politics and activities. Both the Lebanese Left and the Palestinians have already learned this much from watching the way Syria has been going about restoring order to Lebanon: Syria's version of the new Lebanon—more disciplined and organized and less transformed than the Left expected—is somewhat different from the one favored and sought by the Palestinians and their radical allies.

Other Arab states are neither blind nor immune to these developments. A more radical center led by Damascus can in time enlist the support and secure the blessing of Saudi Arabia, Kuwait, and the smaller oil states. It is difficult to see the oil states with their vast

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revenues and wealth choosing to sit it out—or being allowed to sit it out by their own populations as well as wider Arab pressure—to prosper and thrive in the midst of political turmoil and radicalization. Indeed the Islamic fundamentalist fervor in Saudi Arabia and the impact of the Palestinians upon Kuwaiti politics could bring on the same cycle of events that led to the October War, with the oil states throwing caution to the winds in order to claim a place for themselves in the center of Arab politics, and to contain the appeal and the pressure of the radicals. For King Khalid in particular there is the legacy of King Faisal and the lure of following in his footsteps: assuming the role of the ascetic monarch who is an arbitrator of Arab disputes and who is reasonable and cautious enough to avoid reckless politics, but self-denying enough to pursue the broader interests of the Arab world and to make the needed sacrifices. What the Saudis fear and abhor most in regional politics is radicalism and despair. Their position as a broker between Assad and Sadat can tilt toward the former if they begin to see the politics of stalemate engendering further radicalization and unrest.

What would be the cumulative impact of a more radicalized center upon the Sadat regime? One extreme line of reasoning would have it that such a shift could force a change in personnel at the very helm of political power with Sadat stepping aside in favor of, say, a pan-Arabist and hard-liner on the Arab-Israeli conflict such as Mohammed Heikal, Nasser's old friend and in the eyes of many Egyptians the true heir to Nasser's legacy. But a more likely outcome would be for Egypt to return to the fold, with Sadat still in power. If his predecessor was forgiven a staggering military and political defeat in 1967, then Sadat can surely be forgiven a mistaken judgment. But what would more likely change in Egypt would be the position of some of the liberals and old conservatives, at present a substantial portion of Sadat's entourage. These would provide sacrifical lambs to appease people like Boumédienne, Assad and Qaddafi. Sadat would survive, but the liberal wing of the regime, the Egypt-firsters, would be sacrificed at the altar of a reaffirmed Arab consensus.

All in all, the politics of continued stalemate suggest that among the Arabs the pessimists on the conflict with Israel are likely to carry the day at the expense of their more optimistic counterparts. And in the Middle East it may be the pessimists who are better readers of history, politics and the future.

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ASSURING STRATEGIC STABILITY: AN ALTERNATIVE VIEW

By Jan M. Lodal

IN the coming months, the Ford Administration must decide either to offer the Soviet Union compromises on the Vladivostok SALT Accord, permitting completion of the agreement as a permanent treaty, or to face the prospect of a prolonged period of strategic competition with the U.S.S.R., unconstrained by formal limits on strategic offensive forces. If the agreement is completed, the Congress must then decide on ratification or rejection. While this issue will occupy center stage in the strategic debate until it is resolved, the United States also faces a second major decision regarding its strategic program: whether to respond to the ongoing Soviet deployment of new, large, land-based missiles equipped with multiple independently targetable reentry vehicles (MIRVs). This Soviet deployment is not affected by the Vladivostok Accord. Thus, if it is important to respond by adjusting our strategic program, we will have to do so whether the agreement is completed or not.

In the January issue of *Foreign Affairs,* Paul Nitze recommends that, in addition to ongoing programs to improve accuracy, two specific major actions be taken by the United States to ensure strategic stability in the next decade: the deployment of a "multiple launch-point" land-based intercontinental ballistic missile system (more frequently called a mobile ICBM), and a greatly expanded civil defense program.[1] He bases these recommendations on a series of considerations, including the nature of recent Soviet strategic force deployments, his view of Soviet motives concerning détente, and his view of the overriding importance of missile throw-weight in determining overall strategic force capability.

With regard to the Vladivostok Accord, Mr. Nitze points out that the agreement will not change the basic nature of the current Soviet force buildup. While apparently resigned to its completion, he nevertheless implies that the Accord is probably worse than no SALT agreement at all; he clearly believes it to be worse than the type of agreement he would have preferred—primarily because it fails to limit Soviet missile throw-weight—and finds "without adequate foundation" "the general belief that while strategic stability may not be

[1] Paul H. Nitze, "Assuring Strategic Stability in an Era of Détente," *Foreign Affairs,* January 1976, pp. 207–32. While advocating expanded civil defense, Mr. Nitze notes that "such a program does not appear to be politically possible at this time." *Ibid.,* p. 227.

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assured by the SALT agreements, it is not and will not be substantially endangered." "In sum, the trends in relative military strength are such that, unless we move promptly to reverse them, the United States is moving toward a posture of minimum deterrence in which we would be conceding to the Soviet Union the potential for a military and political victory if deterrence failed."[2]

Clearly, the rate and scale of the present Soviet deployment of MIRVed land-based missiles are disappointing, if not outright suspicious. Furthermore, Soviet behavior in the Middle East, Africa, Southeast Asia and Southern Europe seems to most Americans far from consistent with a genuine relaxation of tensions. For their part, the Soviets argue that certain U.S. actions, such as interference in "internal" Soviet affairs, denial of normal trade relations, and continued heavy overseas U.S. force deployments are also inconsistent with such a relationship.

While this situation makes it clear that the process of establishing a better Soviet-American relationship is not an easy one, I believe that Mr. Nitze's concern that the Soviet Union might be close to obtaining strategic superiority is not justified. In my view, he has considerably overemphasized missile "throw-weight"[3] as an indicator of aggregate strategic capability. Furthermore, Mr. Nitze's recommendations for deployment of land-based mobile ICBMs and large civil defense programs are, in my opinion, both ill-advised; neither should be pursued, either on its merits or in the light of other more modest measures that are available to meet the situation.

Finally, with regard to the Vladivostok Accord, while the agreement contains provisions which are clearly less constraining to the arms buildup of the two sides than many persons had hoped for, its terms are relatively favorable to the United States. If it is completed, it should provide a reasonably good basis for controlling the strategic arms competition between the two sides in the longer term.

II

Let us first review carefully the significance of missile throw-

[2] *Ibid.*, pp. 207, 227. For other negative comments on the Vladivostok Accord, see pp. 208, 218–21. However, Mr. Nitze now advises me that he did not intend to state a final conclusion, and that only when all the terms of an agreement based on the Vladivostok Accord have been worked out and published will he judge whether such an agreement is preferable to none at all.

[3] Throw-weight is, roughly, a measure of the total weight of missile warheads which one side could deliver against the other side. Throw-weight also includes the weight of missile guidance systems, MIRV-dispensing systems, and certain other equipment which is carried out of the atmosphere by a strategic missile. For strategic bombers, the term "throw-weight" is technically inappropriate; the correct analogous term is "payload," and when "throw-weight" is used in reference to bombers, it is usually taken to mean payload. See footnote 8 for comment on Mr. Nitze's slightly different formula for bombers.

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weight, both in general and in the specific terms stressed by Mr. Nitze, i.e., a comparison of the throw-weight on both sides that would survive after an assumed Soviet first strike against U.S. strategic forces. Since the early 1960s, when the United States abandoned the Titan ICBM program in favor of the Minuteman ICBM, the Soviets have, by and large, deployed considerably larger missiles than the United States. In the mid-to-late 1960s, the size of these missiles, particularly the SS-7, SS-8, and SS-9, permitted the Soviets to surpass the United States in the aggregate megatonnage carried by the strategic missile forces of each side. This situation generated charges that the United States was slipping into strategic inferiority. However, reasoned response to these charges eventually led to a widespread understanding that total megatonnage is simply not a very accurate measure, or even a meaningful measure, of strategic force capability. Throw-weight, while a considerably more meaningful measure of capability than megatonnage, can nonetheless be similarly misleading as an indicator of the overall U.S./U.S.S.R. strategic balance.

In evaluating the importance of a Soviet advantage in throw-weight, one must first ask: What, in a military sense, can the Soviets do with their potential throw-weight advantage? The bulk represented by more throw-weight does permit the deployment of more deliverable weapons, and, up to a point, having more weapons can complicate any effort the other side might make to deploy an anti-ballistic missile system (ABM). More weapons can also increase the flexibility and target coverage capability of one's force. However, both sides now have adequate throw-weight to deploy essentially all the weapons they could conceivably need—up to at least 10,000 for each side. Thus, the main concern over the large Soviet throw-weight is not that it will permit more weapons, but rather that it permits the deployment of larger-yield warheads on Soviet missiles. Having higher yields, it is argued, will give Soviet missiles the capability to attack U.S. missile silos effectively. Furthermore, additional throw-weight, when used to deploy larger-yield warheads, provides a hedge against uncertainties in achieving, in actual operation, high missile accuracies, the only other way in which one could develop a capability to attack missile silos—i.e., a hard-target counterforce capability.[4]

[4] Some also argue that a throw-weight advantage could be militarily significant for attacks against large area targets, such as bomber escape areas and submarine patrol areas. However, "barrage" attacks against bombers and submarines are probably not feasible, even with very large-yield weapons. The Soviets would have to locate our submarines, and there is no indication that they will have such an ability by 1985. Our bombers could probably survive barrage attacks, even today. In any event, attacks against our bomber bases would cause such widespread civilian fatalities that the Soviets would have to assume an all-out U.S. response.

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To refute this view, let us examine some specific combinations of size and accuracy. The present Minuteman-III missile has three warheads of a yield of 170 kilotons each. If we assume its accuracy is approximately 0.15 nautical miles,[5] it would have about a 40 percent chance of destroying a missile silo, assuming two warheads were targeted against each silo.[6] If the new generation of Soviet MIRVs are assumed to have a yield of about six times this amount, or 1 megaton each, yet if their accuracy is only 0.25 nautical miles rather than 0.15, their ability to destroy silos would still be no greater than that of the present Minuteman-III. If by 1985 the Soviets were able to increase this yield to 1.5 megatons and improve accuracy to 0.15 nautical miles, they could increase the probability of destroying a silo with two warheads to about 85 percent. But this is no better than the effectiveness expected from the Minuteman-III once the improved Mark 12A warhead is deployed and certain low-cost accuracy improvements are made. Yet it would take at least three times as much throw-weight per warhead for the Soviets to deploy these 1.5-megaton warheads as it would for the United States to deploy the Mark 12A.

Moreover, when accuracies get better than 0.1 nautical miles, as essentially all experts predict they will by the late 1980s, throw-weight becomes almost completely irrelevant. A 500-kiloton weapon with a 0.06 nautical mile CEP has a 95 percent probability of destroying a missile silo, targeting only two weapons per silo—essentially as high a probability as one could ever obtain. Thus, in this situation additional throw-weight, even enough to permit the deployment of one- or two-megaton MIRVs, is of no advantage whatsoever. Even relatively small weapons, such as the 100-kiloton warhead projected for the new Trident-I submarine-launched missile, can have quite good anti-silo counterforce capabilities at these accuracies.

In sum, there is only a very narrow range of accuracies in which throw-weight is important to a hard-target counterforce capability. Unless accuracies are better than about 0.2 nautical miles, *no* reasonable MIRV system can have much of a counterforce capability; once accuracies are better than 0.1 nautical miles, essentially *any* size missile, even those of relatively low throw-weight, can destroy silos. Since the technology is clearly in hand to permit both sides to obtain accuracies better than 0.1 nautical miles in the late 1980s, limiting throw-

[5] This customary measure of accuracy is called the CEP, or circular error probable. In lay language, a warhead is estimated to have a 50 percent chance of landing within this distance from the designated target.

[6] For complicated technical reasons related to a phenomenon referred to as "fratricide," force planners usually assume that no more than two warheads can be targeted effectively against any one silo.

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weight would at best put off the theoretical vulnerability of land-based missile silos for a few years.[7]

There are other technical problems associated with using throw-weight as the primary measure of strategic force capability. First, throw-weight is difficult to define, especially if one includes an allowance for bombers.[8] Second, one must deal with "range/payload" trade-offs. For example, our new Trident-I missile, which will replace the present Poseidon missiles, will be considerably more powerful in terms of its total lifting capacity than the Poseidon missile. However, all of this additional capability will be used to extend the range of the missile, not to increase its throw-weight. The United States could have just as well increased the throw-weight, had it been thought important to do so. Nonetheless, our military planners—correctly in my opinion—chose to emphasize the survivability of our submarines, and thus to use the additional capability of the missile to extend its range; this extra range gives our submarines a much greater operating area and reduces dramatically any possibility that the Soviets could determine their location and attack them.

Even if one accepts Mr. Nitze's specific criteria for measuring the relative surviving capacity of the two sides—i.e., the throw-weight ratio of the two forces on the one hand, and the net throw-weight differential on the other—his tables would be open to challenge because they do not presume that the two sides will act in a manner which will maximize their relative situation according to the very criteria being considered.[9] And in any event, by using the criteria and scenarios he

[7] Personally, I do not believe that accuracies better than 0.1 nautical miles are likely to be obtained by the purely inertial guidance systems now used by both sides. However, using satellite navigational systems, or perhaps terminal homing systems, it seems quite feasible to develop these accuracies over the next ten years, or perhaps even sooner.

[8] For example, Paul Nitze's calculations (pp. 224–25) assigned our B-52 bombers an equivalent throw-weight of 10,000 pounds and our B-1 bombers 19,000 pounds, although these bombers actually carry significantly more payload than this. Furthermore, he degraded the payload of the U.S. bomber force both for its "alert rate" and for "penetration factors."

While I would agree that some adjustment of gross bomber payload might be appropriate, Mr. Nitze's assumptions go too far in favoring the Soviets. If one were to use gross U.S. bomber payload, the Soviet projected throw-weight advantage in 1984 would disappear. While this is going to the other extreme, it illustrates that by picking a different yet still not absurd definition of aggregate throw-weight, one can obtain radically different views of the relative balance.

[9] The tables (pp. 224–25) assume "an exchange in which the Soviet Union has attacked U.S. forces, and the United States has retaliated by trying to reduce Soviet strategic throw-weight to the greatest extent possible." But if what matters is *net* residual throw-weight, the United States should not try "to reduce Soviet strategic throw-weight to the greatest extent possible," but only to the extent that a pound of U.S. throw-weight knocks out more than a pound of Soviet throw-weight. A similar situation is true with regard to the throw-weight ratio criterion. For example, while it is not possible to tell exactly how Mr. Nitze's calculations were done since the assumptions are not presented, it appears that most U.S. SLBMs were assumed to be used to attack Soviet silos in a retaliatory attack. If the United States simply held in reserve most of these weapons, as well as alert bombers, the "after-attack" residual throw-weight advantage of the Soviets might be considerably less.

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has chosen, he obscures the fact that the United States retains a very large force even after any conceivable full-scale Soviet attack.[10] In particular, even if the Soviets destroyed all our land-based ICBMs, non-alert bombers and non-alert submarine-launched ballistic missiles (SLBMs), we would still retain our alert bomber force and our alert SLBM force. These forces alone would be capable of delivering something like 4–5,000 nuclear weapons against Soviet targets. I find it difficult to conceive of a military need for more than 4–5,000 nuclear weapons, albeit weapons much smaller than the relatively large Soviet weapons.

III

Apart from the potential military importance of a Soviet throw-weight advantage, there is the question of Soviet motives behind their throw-weight buildup. While it is possible that, as Mr. Nitze implies, the Soviets have emphasized large land-based missiles in their strategic force deployments in order to gain a measure of strategic superiority over the United States, one need not hypothesize such Soviet motives in order to explain their weapon systems choices. For the last ten years, the Soviets have clearly felt a great need to deploy a new generation of missiles equipped with MIRVs. Yet they lacked the technology to deploy MIRVs efficiently on relatively small land-based missiles or on submarine-launched ballistic missiles. Furthermore, the Soviets have always had great operational difficulties with their SLBM force. This has led them to put much heavier emphasis on land-based missiles relative to sea-based missiles, while the United States has done just the opposite.

The Soviets needed MIRVs for two reasons: first, to increase the target coverage and flexibility of their force; and second, to ensure that they could penetrate potential U.S. anti-ballistic missile systems. Since the 1972 signing of the SALT I treaty effectively prohibiting ABMs, we have tended to lose sight of the environment in which the generation of Soviet missiles now being deployed was designed. At that time, in the mid-1960s, not too long after the Cuban missile crisis, the United States was very far ahead in ABM technology, and appeared to be moving toward a large ABM deployment. The Soviets were probably aware of MIRVs at the time they first designed these missiles, and recognized that the most effective way to overcome an ABM defense is to launch a greater number of weapons against the defense than there are interceptors available to the defense, simply

[10] The potential importance of residual force levels is mentioned in general terms by Mr. Nitze on p. 226, but without spelling out their significance.

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exhausting the defense. However, such a tactic is economically feasible only if one can use MIRVs. Thus, this alone would have been good reason for the Soviets to make a major effort to deploy MIRVs on their new missiles.[11]

The Soviets also needed MIRVs to increase the flexibility and target coverage of their force. With only about 2,000 total missiles in their force, considering reliability and the number of missiles that might be destroyed in a strategic exchange, the Soviets could probably count on no more than about 1,000 nuclear warheads available to deliver against U.S. targets. While 1,000 weapons are certainly more than adequate to destroy virtually all the cities of the United States, in more complicated scenarios it might be possible for the United States to use some of its MIRVs to attack Soviet military targets, keeping population damage relatively low, while retaining a clear capability to destroy all the Soviet cities. Without MIRVs, the Soviets would not be in a similar position. Thus, this need for more weapons undoubtedly added to the attraction of MIRVs.

Once the Soviets decided to deploy MIRVs, it is not surprising that they chose to emphasize size and develop the relatively large missiles we now see. Whereas the United States made great use in its MIRV programs of its already-existing capability to develop small on-board computers and small, but relatively high-yield, nuclear warheads, in the mid-1960s the Soviets simply did not have such technologies. Of course, these technologies are now becoming available to them, but they were not when the systems now being deployed were designed.

Additionally, the Soviets' decision to emphasize land-based missiles undoubtedly led them to conclude that they should increase the hardness (i.e., the resistance to nuclear attack) of their land-based missile silos. In order to do this, they had to make major structural changes in these silos. Relatively small increases in the depth or diameter of the silos could be easily accomplished in conjunction with a silo-hardening program they probably planned to undertake in any event. Since the new Soviet missiles are not much larger in volume than the ones they replaced, these small increases in silo dimensions were adequate to permit deployment of the new missiles.[12]

[11] Indeed, there is an additional difficulty here with Mr. Nitze's argument about the objectives and strategy behind U.S. nuclear programs in the 1960s. While our actual deployments were indeed wholly consistent with the stated aim of a situation of assured second-strike capabilities on both sides, our research programs, notably on ABM and MIRV, were almost bound to convey a different future signal to Soviet planners, i.e., that we might be seriously contemplating a return to counterforce strategies and our own version of strategic superiority.

[12] This additional volume of the missiles accounts for some of the large increase in throw-weight we see with the new missiles; however, most of the throw-weight increase is a result of significant improvements made in Soviet missile propellants and other missile technology.

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In conclusion—given the Soviets' difficulty with SLBM technology, their lack of sophisticated miniaturization technology, and their strong military need for MIRVs, both in order to penetrate ABMs and to increase the target coverage flexibility of their force—it is not at all surprising that the current generation of Soviet land-based missiles have large throw-weight and MIRVs. Had the roles of the two countries been switched, with the United States in the position in which the Soviets found themselves, we probably would have made similar decisions, with no necessary intention of acquiring a position of strategic superiority.

This point, of course, applies principally to the Soviet choice of technologies. Similar considerations relate to the rate and scale of the Soviet deployment of big missiles. If one puts oneself in Soviet shoes, one can see that they have faced, and still face, such factors as a major inferiority in the number of deployed warheads (roughly 3,500 versus 9,000 at present), an inability to keep their SLBM force at sea for long periods, and what may be significant problems of reliability. The point, in both areas, is not to argue for complacency about the Soviet buildup; it is simply to note that the technological and numerical factors are not so one-sided as to indicate—to anything like the degree Mr. Nitze contends—an underlying motive of seeking strategic superiority. In my judgment it is simply impossible to tell from Soviet actions alone whether their "true" motives have been other than technological.

IV

Turning now to the Vladivostok Accord, I believe it is first important to review precisely what was settled there and the negotiating history that led up to the agreement reached in November 1974.

The Accord calls for an equal numerical limit on two important quantities: the number of strategic delivery vehicles (missiles and strategic bombers), which are limited to 2,400, and the number of missiles equipped with MIRVs, limited to 1,320, with both numbers effective through 1985. As has been pointed out, 2,400 is only slightly below the Soviets' present force levels (about 2,500), and is above what the United States plans to deploy anyway (unless "mothballed" strategic bombers are counted in the total). Furthermore, 1,320 is dramatically above the present Soviet MIRV force level (zero at the time the Accord was reached and only 50–100 today), and also above the number of missiles with MIRVs the United States plans to deploy, even assuming all existing Poseidon submarines are retained in the force as the new Trident submarines come on line. Thus, it is clear that neither side gave up much, if any, of its present strategic programs.

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We can only speculate about what future Soviet force levels would be without the agreement. But there is some indication that they had planned to expand further with new submarines, bombers and mobile missiles. Whether or not they would have gone above 1,320 in the number of missiles with MIRVs is also speculative, but the best guess is that they intended to deploy MIRVs on almost all their missiles—a total closer to 2,400 than to 1,320. Thus, the agreement probably would have a restraining effect on Soviet strategic planning.

More importantly, over and above the limited effect on the programs of the two sides, the Accord settled a number of issues of basic principle. Perhaps foremost was the issue of equal numerical limits. The Interim Agreement on strategic offensive arms now in force froze the missile levels deployed and under construction by both sides at the time the Agreement went into force (October 3, 1972). Since the Soviets had more missiles at that time than did the United States, this left them with a numerical advantage in missiles (about 2,350 to our 1,710). In support of the Agreement, the Nixon Administration argued that this numerical advantage was offset by several U.S. advantages: our large bomber force (500 B-52s and 72 FB-111s versus about 150 older Soviet bombers); our tremendous advantage in MIRV technology; and other qualitative advantages in our forces. Nevertheless, many in the Congress insisted that in all future agreements there should be numerical equality. As a result, this principle was somewhat ambiguously embodied in the "Jackson Amendment" (to the Joint Resolution approving the Interim Agreement), which provided that "the President seek a future treaty that, *inter alia*, would not limit the United States to levels of intercontinental strategic forces inferior to the limits provided for the Soviet Union."

As SALT negotiations resumed after the Interim Agreement went into effect, within the U.S. government both the Joint Chiefs of Staff and the Office of the Secretary of Defense argued strongly that any follow-on SALT agreement should provide for so-called "equal aggregates"—a term referring to the aggregate sum of strategic land-based missiles (ICBMs), submarine-launched ballistic missiles (SLBMs), and strategic bombers such as our B-52s. The Pentagon's argument was based not so much on the military importance of this measure, which was acknowledged to be minimal, as on its political significance. It was argued that to accept anything less than numerical equality would lead to "political perceptions" of U.S. strategic inferiority.

The Soviets, on the other hand, continued to argue that "equal aggregates" were not reasonable so long as the U.S. maintained large

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"forward-based systems" (FBS), i.e., nuclear-armed aircraft on carriers and at foreign bases capable of striking the U.S.S.R. They also insisted that our British and French allies' nuclear forces be taken into account. This argument was particularly telling with respect to the 64 British SLBMs, since these were of American manufacture, carried on submarines built with American assistance, and essentially indistinguishable from the 160 U.S. Polaris missiles which we had already agreed to count. The argument concerning French forces and our own FBS had less intellectual validity, but nonetheless was not completely without merit.

During the period leading up to Vladivostok, the United States strongly pushed one other point—the throw-weight of Soviet missiles—stressing above all the combined effect of throw-weight and MIRVs. The principal argument was the one spelled out above, that the combination of a larger number of weapons and the relatively high yields possible with large missiles (up to two megatons for each warhead) would pose a threat to the survival of our land-based missile silos more quickly than had been anticipated. Thus, the United States insisted that if the Soviets put MIRVs on their large missiles, they agree to deploy a relatively smaller number of these missiles to compensate for their large size. If the number were low enough, the Soviets would simply not have enough weapons to attack Minuteman effectively, regardless of the accuracy of the weapons, and still retain an adequate "assured destruction" reserve. Only then, it was argued, could we avoid the instabilities inherent in retaining a significant component of our force potentially vulnerable to a surprise attack, possibly tempting such an attack in a crisis.

In reaching agreement at Vladivostok, the Soviets yielded on "compensation" for forward-based systems and allied forces, and the United States yielded on controlling the size of Soviet missiles. Many on the U.S. side had argued that both objectives—equal numbers and limits on missile size—were of key importance. Nevertheless, between the two, there was tremendous pressure to make equal numerical limits the sine qua non. This position was somewhat ironic, since within the U.S. government almost everyone acknowledged that equal numbers had little military or strategic effect, while controls on the size of Soviet missiles (especially those equipped with MIRVs) could have some potential military and strategic effect—although even this effect was acknowledged to be limited since, as already noted, improved technology would eventually permit higher accuracies, which would eliminate the benefit of big missiles and their large-yield warheads.

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One can raise a legitimate question whether the United States should have agreed to this compromise arrangement. Clearly, had the Soviets been willing to agree to very low limits on the number of land-based missiles they would deploy with MIRVs (e.g., 400–500 such missiles), or to cut back the size of their MIRVed missiles, we could have put off the day when we have to be seriously concerned about the survivability of our Minuteman ICBMs. Nevertheless, it is difficult to see how any other compromise could have been made. As discussed in detail above, given their present technology the Soviets could not quickly deploy MIRVed missiles with the type of small warheads we have on our missiles. Thus, were they to accept significant constraints on the size of their missiles, they would remain dramatically behind the United States in the more important strategic measure of numbers of available warheads. It seems unlikely that they would have accepted this de facto superiority unless the United States made major concessions on FBS and allied nuclear forces—something we were simply not prepared to do.

It is worth reemphasizing that on its face the Vladivostok agreement is relatively favorable to the United States. It does not place great constraints on either side; however, it does require the Soviets to reduce their force levels in terms of aggregate strategic delivery vehicles somewhat, even with the present 2,400 limit. Based on what is known of the results of Secretary Kissinger's January 1976 trip to Moscow, it appears that it might even be possible to obtain a somewhat lower limit—perhaps as low as 2,200. As for the United States, the agreement would not prohibit any program which we now have under way, nor any program we are likely to undertake by 1985. We could increase the throw-weight of our missiles to a level essentially equal to that of the Soviet Union, should we decide it to be important to do so, and, as the agreement's terms now stand, we could deploy mobile ICBMs if we wished. (I shall return later to this point.) We can certainly continue with all our qualitative improvements, including improvements to our bomber force and SLBM force. While the final agreement on cruise missiles may impose some limits on our longer-range sea-based cruise missile force, we have limited strategic need for sea-based cruise missiles (although short-range cruise missiles, which would not be limited, are an important component of our conventional naval forces). What we do have a strong need for are medium-range air-launched cruise missiles to ensure the penetrability of our bomber force, and it seems unlikely that the final Vladivostok limit will compromise our ability to deploy a force of the required size. Thus, as was the case with SALT I, the agreement probably

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imposes some real, although modest, limits on the Soviet strategic program, but imposes no operational limits on the U.S. program when compared with what we would have done without the agreement.

The agreement also has the major advantage of eliminating "worst case" scenarios from the force planning of both sides. Before the Vladivostok Accord was reached, the intelligence community had projected a possible maximum Soviet deployment of 3,300 strategic delivery vehicles, of which 3,000 would be MIRVed missiles, by 1985. If the agreement is turned into a treaty, there will be no need to plan our actual deployment programs against the possibility of such large Soviet deployments, although we should continue to hedge against Soviet treaty abrogation by maintaining an active research and development program.

Some will argue that the Vladivostok Accord should not be completed because it will permit the Soviets to deploy their Backfire aircraft outside the limits of the agreement. I find this argument somewhat incredible. On the one hand, the same critics frequently argue that our massive strategic bomber force, which costs almost half of our total strategic budget, is not worth much compared to Soviet missiles. On the other hand, the Soviets' Backfire, an aircraft vastly less capable than our B-52s and even more dramatically less capable than our B-1, is alleged to represent a major threat, despite its short range, low payload, low alert rate, and second-strike character.

The Soviets appear willing to make on-the-record assurances that the Backfire is not capable of being used against the United States, will not be used against the United States, and will not be deployed with a companion tanker force which would permit midair refueling. Without such refueling, the aircraft would be limited to one-way, high-altitude, subsonic missions against the United States. Such assurances are consistent with a reasonable interpretation of the aircraft's mission. If the Soviets had intended to develop a new strategic aircraft for use against the United States, they certainly wasted a lot of money building the Backfire. They undoubtedly had the technology to develop at little additional cost an aircraft which would be vastly more capable against the United States. Furthermore, they clearly had a need for an aircraft like the Backfire to replace their aging Badger and Blinder medium-bomber force deployed for use against targets in Europe and China.

Thus, it makes little sense to attribute to the Soviets the sinister motive of attempting to use the Backfire to get around the Vladivostok limits. Arguments over the Backfire should not hold up a new SALT agreement.

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V

Based on the analysis presented earlier, I am considerably less concerned with the Soviet throw-weight advantage than is Paul Nitze. Nevertheless, no one can deny that Soviet capabilities are increasing and that Minuteman is becoming vulnerable, albeit more because of improvements in accuracy than because of increases in throw-weight. Thus, the United States must decide whether to react to the Soviet buildup by adjusting its own strategic program; and Mr. Nitze's suggestions for how we should respond deserve consideration even if one disagrees with his reasons for recommending a response.

Mr. Nitze's primary recommendation is that the United States employ a shelter-based land-mobile ICBM system to offset the Soviet throw-weight advantage. He argues that such a system would "absorb" the Soviet throw-weight advantage; if the Soviets were to attempt a first strike against our strategic forces, they would be required to devote a large proportion of their own force to attacking the mobile missiles, reducing their surviving throw-weight.

Again, this argument is open to question on Mr. Nitze's own assumptions concerning Soviet attack strategy. He apparently does not assume that the Soviets would carry out futile attacks against U.S. submarines at sea; why, then, should one assume that they would "waste" their throw-weight in an equally futile attempt to destroy dispersed land-mobile missiles? Yet, if they should not do so, the net Soviet advantage after the assumed attack—Mr. Nitze's main criterion—would not be greatly affected.

On the other hand, the deployment of land-mobile missiles would substantially increase the *absolute* amount of surviving U.S. retaliatory capability. Thus, for reasons somewhat different from Mr. Nitze's, I agree that a mobile land-based system, by reducing the vulnerability of U.S. strategic forces to a counterforce attack, could help to prevent the Soviets from ever attaining strategic superiority.

But even on this basis Mr. Nitze's proposed program would be extravagant and untested, going beyond the degree of threat that now appears likely, and far more costly than other measures, at least as feasible, to improve survivability. Furthermore, it might well set off a new competition in which the Soviets would have all the advantages. Let me address these points in order.

First, there remain serious cost and technical problems associated with such systems. They require either very hard movable capsules to protect the missiles, or very cheap hard shelters, neither of which has yet been proved technically feasible. With regard to cost, it is very

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unlikely that any feasible technical concept could cost as little as Mr. Nitze's prediction of $12–15 billion over a ten-year period. A much more reasonable estimate, when all costs are considered, would be about $30 billion. Since initial cost estimates of new weapons systems inevitably turn out to be somewhat lower than final costs, this final ten-year cost could easily run as high as $50 billion.

Second, we should not forget that potential Minuteman vulnerabilities are strictly theoretical; these projected vulnerabilities are based on force exchange calculations which are probably extremely conservative. Mounting an operational attack against Minuteman would not be a simple task. No one has ever tested weapons against land-based ICBM silos in an operational environment, so the Soviets would face considerable uncertainties in mounting such an attack. Furthermore, there are many technical problems associated with attacking silos: two examples are the problem of "fratricide" mentioned earlier, which necessitates very precise attack timing, and the possibility that the side being attacked will launch its missiles as soon as it sees the incoming attack.

Third, the United States can make potential force improvements which might significantly reduce Minuteman vulnerability, especially through the use of defense concepts oriented exclusively toward defending silos. While most of these concepts are far from proven technically, the Soviets cannot presume we will be unable to protect the Minuteman force if they are seriously considering striving for a capability to destroy it.[13] While I share some of the concerns raised in the Congress about the present direction of our missile defense research and development programs, clearly we should not short-change this crucial area.[14]

[13] For an example of two of the most intriguing possibilities for reducing Minuteman's vulnerability, see Richard L. Garwin, "How Real is the Soviet Threat to Minuteman," presented to the Senate Committee on Foreign Relations in answer to staff questions addressed to Mr. Garwin's testimony of September 18, 1975. Mr. Garwin suggests two possibilities: a "bed of nails" defense in which vertical steel rods and radar fuse jamming would disable, respectively, both the ground burst and radar fusing on incoming warheads, and a "pellet" defense in which incoming reentry vehicles would be destroyed while passing through a curtain of steel pellets thrown up by simple explosives and set off upon detection of the reentry vehicle by simple radars.

[14] One counterargument often made is that the Anti-Ballistic Missile Treaty prohibits deployment of such local defense systems, so why should we waste our money on research and development? But, if an effective technology emerges for a defense exclusively devoted to ICBMs, and if arms control measures cannot be found which will improve the stability of the strategic balance in the longer run, we should seriously consider insisting upon modifications to the ABM treaty which would permit deployment of ICBM defenses which would be capable of defending only hardened military sites, and not capable of defending soft area targets such as cities. In pursuing ICBM defense technology, we should actively investigate new concepts, such as the inexpensive but promising technologies mentioned above. One of the major difficulties with our ABM research and development has been that it remains closely tied to the essentially abandoned Safeguard program, although our ABM objectives have changed completely from those which motivated the design of Safeguard.

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But in any event the issue is not confined to land-based missiles. The United States has other ways of conserving or increasing its survivable second-strike capability. We maintain large and effective submarine-launched ballistic missile and bomber forces, the alert portions of which are essentially invulnerable to potential Soviet attack. We have active programs to modernize and improve both our SLBM and strategic bomber forces. Perhaps the most important of these programs is the new Trident-I missile. This missile is designed for deployment on both our new Trident submarine and our older Poseidon submarines. It will carry up to eight MIRVs and, with over twice the range of the present Poseidon MIRVed missile, will increase the operating area of our SLBM force by a factor of 10, tremendously reducing its vulnerability.

We also have an active program to ensure the effectiveness of our strategic bomber force. This includes the planned deployment of the B-1 bomber, which I believe should go forward in small numbers, although I see little reason to deploy all 240 B-1s now planned. A better use of our funds would be to cut back the B-1 program somewhat and use the funds freed to modernize our older B-52s, equipping them with a moderate number of medium-range strategic cruise missiles to increase their capability of penetrating advanced Soviet air defenses.[15]

Indeed, given these alternatives to the deployment of mobile missiles, and the small chance that a feasible U.S. program can be developed from a technical and financial standpoint, serious consideration should be given to banning such systems in a SALT II treaty. It seems clear from the negotiating record to date that the Soviets would accept an outright ban on all mobile ICBMs as part of a final SALT II agreement. The United States apparently has yet to accept such an approach, primarily because of Pentagon pressure to keep the option for a land-based mobile missile open. While the United States has not yet come up with a feasible land-mobile ICBM program, it is a serious technical option for the Soviets. The Soviets have large uninhabited land areas and no political constraints that would confine the

[15] Some critics charge that for the United States to develop strategic cruise missiles will simply fuel the arms race and further destabilize the balance between the United States and the U.S.S.R. In my view, this criticism is completely unfounded. These weapons will reduce the total destructive capability of our bombers, since the bomber must carry the weight of the missile in addition to the weight of the bomb carried on the missile. With free-fall gravity bombs, the bomber need not carry the weight of the missile, and can therefore carry a more destructive payload to any given range. Furthermore, cruise missiles should represent a stabilizing influence, since they increase our second-strike retaliatory capability, but add essentially nothing to our first-strike counterforce capability. See Alton H. Quanbeck and Archie L. Wood, *Modernizing the Strategic Bomber Force—Why and How,* Washington, D.C.: The Brookings Institution, 1976.

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deployment of nuclear weapons to military reservations, as is the case in the United States. In fact, they have already deployed significant numbers of intermediate-range mobile missiles for use against China and Europe, and their newest solid-propellant ICBM, the SS-16, could probably be deployed in a mobile mode almost immediately.

Banning land-based mobiles would close off one additional area for potential arms competition between the two countries, as well as eliminating the potential SALT verification uncertainties presented by mobile missiles. While (like Mr. Nitze) I believe these verification uncertainties are not as crucial as some have made them out to be, they could be serious in some circumstances. In particular, if the Soviet Union chose to deploy a large shelter-based land-mobile system similar to the system Mr. Nitze proposes for the United States, our planners would have to assume that each shelter contains a missile. Since there could be thousands of shelters, such a situation could easily force a complete breakdown in the SALT process and lead to a new level of arms competition.

But a shelter-based mobile ICBM deployment is not one which the Soviets are likely to undertake in the near future, so I see no reason why the Vladivostok agreement should be abandoned if land-mobile ICBMs are permitted within its ceilings. Nevertheless the United States should actively seek to obtain mutual agreement that they be banned.

Mr. Nitze's second major program suggestion is that the United States undertake a large civil defense program. He bases this primarily on his belief that the Soviets have a large and active civil defense program, designed to give them the possibility of absorbing an American retaliatory attack with an acceptable degree of Soviet fatalities. Mr. Nitze believes we should develop the same capabilities.

There is some question about the actual size and extent of the present Soviet program. However, their present program is not likely to be able to significantly reduce overall fatalities in a U.S. retaliatory attack. Only a small percentage of the Soviet population has been adequately trained in evacuation procedures; fallout shelters are in many cases inadequately stocked and of inadequate size; and many would die from secondary nuclear effects even if they reached the shelters before the attack. Thus, while the U.S.S.R. spends more on civil defense than does the United States, it is not clear that the Soviet Union is anywhere near being able to eliminate our deterrent capabilities through such a program.

An American program would face similar technical difficulties. It would be almost impossible to disperse most of the American popula-

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tion now residing in large metropolitan areas to shelters which could not be attacked, given the very large number of Soviet weapons which will be available by the mid-1980s. Furthermore, protecting these shelters against radiation from fallout, adequately stocking them, and adequately training the population, even if all these were politically possible, represent an almost impossible task from a practical standpoint.

If we continue with the strategic programs I have discussed above, it seems highly unlikely that the Soviets could mount an effective threat to our deterrent force. The Soviets can build larger missiles, deploy more throw-weight, increase their megatonnage, and perhaps even come close to deploying as many weapons as the United States has deployed. However, our submarines and alert bombers should remain invulnerable to Soviet counterforce attacks, and we can seriously complicate any potential Soviet effort to develop a counterforce capability against our land-based missiles. Thus, any advantage they might have in throw-weight or other static capability measures will have essentially no military benefits; its only possible benefit might be to create adverse political perceptions in the rest of the world concerning the relative strengths of the United States and the Soviet Union.

But we must not forget that our own rhetoric largely determines these political perceptions. To the extent that we emphasize measures in which the Soviets have an advantage, such as missile throw-weight, we ensure that others will perceive us to be at a disadvantage. On the other hand, if we pursue sensible programs, designed to protect our deterrent capability, and explain carefully why we have decided to forego a "throw-weight race" or a "megatonnage race," I see no reason why we should be the subject of adverse political perceptions.

VI

Two other suggestions have been made for a U.S. response to the Soviet buildup: further improvements in the accuracy of American missiles, and the development of new, larger throw-weight, silo-based missiles to replace Minuteman. Both of these programs are being pursued at an active, though not terribly vigorous, pace by the Pentagon. Critics charge that they are destabilizing to the strategic balance, in that they would increase the American threat to the Soviet retaliatory force, giving the Soviets more incentive to strike first.

My judgment differs. While we have no particular need for greater overall throw-weight, I see little reason for us to impose upon ourselves a unilateral restraint on the accuracy of our missiles. First, no one has yet developed a workable scheme that would permit control-

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ling accuracy through verifiable arms control agreements. Thus, it seems inevitable that the Soviets will continue to improve the accuracy of their force. Second, since the Soviet Union, like the United States, maintains large submarine-based forces which would survive an attack regardless of how accurate our ICBMs become, the decrease in "crisis stability" brought about by U.S. improvements in accuracy is likely to be quite small. Third, as many (including Mr. Nitze) have pointed out, the Soviets have a large investment in their land-based ICBM force, and U.S. development of accurate missiles may well motivate them to reduce their emphasis on large land-based ICBMs —moving more of their force to sea, or perhaps even agreeing to reduce the size of the force through arms control agreements. In the absence of American improvements in accuracy, there seems to be little incentive for the Soviets to control the size of their land-based missile force.

There is, moreover, something to the argument that the United States should not permit the Soviets to obtain a significant military capability which we do not have. This would be the case if they developed very high accuracy, permitting "surgical" strikes against single military targets, while we imposed a unilateral restraint on our own accuracy program. It is extremely difficult to conceive of a situation in which the Soviets might use such a capability, but there would be even less reason for the Soviets to attempt such a strike if they knew the United States had a comparable capability and could respond in kind.

Finally, perhaps the most compelling argument against a unilateral American effort to limit the accuracy of its missiles is a technical one. As mentioned earlier, extremely high accuracies are not likely to be obtained using the missile guidance technology now being pursued, i.e., purely inertial guidance systems. However, very high accuracies are likely not only to be feasible, but to be relatively easy to achieve once sophisticated satellite navigation systems are perfected. If these systems permit the determination of location as precisely as they promise, it will be possible to obtain accuracies of a few hundred feet. There are feasible and not terribly expensive ways of ensuring that guidance systems based on these satellite navigation systems are both highly survivable and essentially impossible to jam electronically. Since these systems are being developed for a host of navigation purposes unrelated to warhead accuracy, they will go forward in any event. Thus, as much as we may believe we can restrain our own programs for improving accuracy, the basic technological developments which will eventually lead to high accuracy are sure to come.

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VII

To conclude, the United States has reasonable strategic force alternatives which can ensure our retaliatory capability, deny the Soviets any potential military advantage, and yet which do not require a return to a massive civil defense program or deployment of a costly and perhaps technically infeasible land-based mobile ICBM system. We need not match the Soviets in missile throw-weight, nor, within quite broad limits, need we even worry about their advantage. At the same time, our government must adopt complementary rhetoric, making it clear why we have chosen not to place great emphasis on throw-weight, lest the growing Soviet advantage in this one respect create an adverse perception of the strategic balance throughout the world.

With respect to the Vladivostok SALT Accord, I believe that it should be completed, even if this means compromising our positions somewhat on the Backfire and cruise missile issues. The Vladivostok Accord may well have been disappointing relative to what many of us had expected as a follow-on SALT agreement: it does not limit the threat to the survivability of the land-based missile forces of either side, nor does it provide for significant reductions in the size of existing strategic forces. Rather, it will undoubtedly permit a significant increase in the overall destructive capability of the forces of the two sides. These facts make it easy to criticize the Vladivostok Accord, since one can always compare it to the kind of agreement most of us would have preferred. Furthermore, it is easy to place the blame on the Soviets, ascribing to them a strong effort to obtain strategic superiority.

What is much more difficult is to work out a viable alternative to the Vladivostok Accord. Most of the specific suggestions critics have made for alternative agreements were tried vigorously in one form or another during the three-year period leading up to the Accord. Low limits on Soviet MIRVs were unacceptable to the Soviet Union for the obvious reason that this would have left the United States with a militarily significant superiority in this area. Limits on throw-weight were unacceptable because such limits would have effectively prohibited significant MIRV deployments, given existing Soviet technology. Significant reductions were not of interest to either side, perhaps more than any other reason because neither the Soviet leadership nor the U.S. Administration was willing to undertake the internal bureaucratic struggles necessary to decide which component would have to reduce. Finally, the Soviets even today remain quite concerned about U.S. forward-based systems, as we remain concerned

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about the size of their missiles. Thus, the Vladivostok Accord itself represented a fairly major breakthrough from what appeared to be a completely deadlocked situation.

Given this background, I believe the only serious alternative to completing the Vladivostok Accord is to abandon the SALT process for the time being, at least with respect to offensive forces, hoping that the two sides will trust each other enough to keep their force deployments under control by mutual example, without the benefit of formal agreements.

Such a hope is likely to be disappointed. With no agreements, the probability is that the Soviets will continue to increase their strategic spending, leading to ever-widening disparities in force size. While the thrust of this article has been that many of these disparities are much less meaningful than they are made out to be, at some point the disparities could become large enough to have political, and perhaps even military, consequences. We would then have to increase our force size to keep up, probably beyond the ceilings contemplated at Vladivostok, certainly beyond our present programs.

Some might argue that we need not match the Soviet buildup even roughly. But unless we did so we could hardly expect the Soviets, in renewed negotiations, to accept even Vladivostok-level limits, since they would then be at a far higher level and probably at a comparative advantage at least in numbers.

In short, abandonment of the SALT process, even for a time, would mean unnecessary extension of an arms competition that has gone on too long. Such an extension could only increase Soviet-American tensions and, in my judgment, decrease rather than improve our security.

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IS ESPIONAGE NECESSARY FOR OUR SECURITY?

By Herbert Scoville, Jr.

THE recent revelations of abuses by all our intelligence agencies and the multitudinous investigations of the CIA in particular have raised serious questions as to whether the United States can and should continue to maintain a capability to conduct any clandestine operations. Most of the horror stories have related to what is known as covert action—i.e., operations to secretly influence foreign governments, groups or individuals, often by illegal means. The Chile case is the most highly publicized. Almost none have involved the collection of intelligence abroad, but many of the techniques used in foreign countries have been occasionally practiced at home where the CIA cannot legally carry out such operations and where the responsibility rests with the FBI. As a consequence of these activities, there is widespread belief that the CIA should halt all covert operations and disband that part of the organization which has been responsible for carrying them out.

Before making a decision on this score, the importance of covert operations to our security should be evaluated and balanced against their risks. Although covert actions have had some measure of success in some localities, particularly at the height of the cold war, the recent disclosures raise serious questions as to whether they have really been to the benefit of the United States. Almost inevitably, even during periods when secrecy could be relatively easily maintained, their existence has leaked out, and they have now seriously undermined the reputation of the U.S. government. In the current climate, it seems unlikely that they could be kept secret for any period of time; thus, covert operations by a democratic American government may simply not be feasible any longer.

But even if they could be kept secret, they are not the proper way for the United States to conduct its foreign policies. We must combat hostile influences by using the good qualities of our democratic society, not by copying the reprehensible tactics of those we are opposing. In the long run, this will be far more beneficial to our security than will any temporary local successes obtained through covert action. Therefore, without any further discussion of this issue, which has been, and is still being, debated in many other forums, I would propose that this country should henceforth cease all covert action operations.

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Covert operations for intelligence collection, which have not had the same public attention, require much more thorough consideration. Such operations involve the recruiting of agents in foreign nations, encouraging the defection of knowledgeable individuals, audio-surveillance, and other techniques falling under the general heading of espionage. At least for the purpose of this discussion, espionage does not include large-scale and remote-control secret operations such as satellite reconnaissance, "spy planes," or the interception and analysis of communications and electronic emissions performed outside the borders of the target country.

The information sought by clandestine means may include not only positive intelligence on the plans and programs of other nations but also the quite different category of counterintelligence on threats from foreign intelligence or terrorist groups. While covert intelligence collection abroad has not been free of criticism, it has not, at least since the unique U-2 incident of 1960, seriously embarrassed the U.S. government or caused major international repercussions. However, counterintelligence activities, the responsibility of both the FBI (at home) and the CIA (abroad), have raised some of the most serious domestic issues of illegality and abridgment of civil rights—notably the CIA's screening and opening of mail to the Soviet Union. In addition, domestic burglaries and the surveillance, penetration and disruption of dissident groups have been carried out to a small but clearly illegal extent by the CIA within the United States, but much more massively by the FBI over a period of years going back to operations against the German-American Bund before World War II. In this area, evaluation of the consequences must weigh both actual violations of law or of proper standards of civil rights and the inherent tendency of such operations, even when apparently legal, to slip into such violations. The decision as to whether counterintelligence operations should be continued, and if so under what aegis and with what safeguards, may have to be made independently of what is done about positive intelligence collection.

But in each case, covert intelligence abroad and at home, the place to start is with a serious evaluation of the importance of the activity to our total national security and foreign policies. How much does covert intelligence matter as compared with other forms of intelligence collection? Can its risks and drawbacks abroad be minimized so that it is worth continuing? And can the special problems of domestic counterintelligence be handled so that it can do a worthwhile job and still adhere to legal and constitutional standards?

In recent years, the value of human clandestine intelligence sources

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has come into increasing question as the capabilities of technical methods have become more and more all-encompassing and sophisticated and as the political liabilities of covert operations have become increasingly evident. Too often, extreme points of view have been taken: on one side it has become popular in this country to condemn all covert operations, and on the other for the intelligence traditionalists to defend nostalgically the experiences of the past. Certainly it is not a black-and-white situation, and it would be irresponsible to say that espionage has no value as an intelligence tool. Even if it never produced any useful information, the existence of a covert collection capability could still be a deterrent because leaders in other nations could never be certain that their plans would go undetected. On the other hand, it would be equally foolish not to recognize the limitations on such sources.

First, the major alternative sources of intelligence information should be briefly reviewed, and their usefulness and limitations in satisfying our principal intelligence requirements evaluated, together with the political risks entailed. Then it will be possible to analyze how espionage can realistically be expected to supplement other sources, how necessary it really is, and what scale and nature of covert capability it would be desirable for us to have. In determining the value of any intelligence source, consideration must be given not only to the quality of the information but also to its usability in formulating and getting support for national policies. Information is only a means to an end and not an end in itself.

To simplify analysis, the means of intelligence collection can be roughly broken down into four major categories: overhead photographic observation primarily from satellites; communications and other electronic intelligence collected outside the borders of the target country; open sources (i.e., press, speeches, published materials and overt contacts); and the espionage techniques already defined.[1]

Similarly, the types of positive intelligence information can be roughly broken down. To conduct its foreign policy, to design its military posture, to negotiate arms control agreements, and to prepare for military contingencies, the United States has a clear need for military information on the forces, weapons and plans of potentially hostile or disruptive nations; economic intelligence on the resources, technology and finances of all countries; and political intelligence on

[1] For purposes of this rough breakdown, I have treated the intelligence gained from normal diplomatic activity as well as that provided voluntarily by businessmen or other private citizens not acting as covert agents, as coming essentially from "open sources," even though such intelligence may, for reasons of confidentiality, be classified by the government and not used for public purposes.

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the make-up, intentions and interrelations of individuals and organizations in and out of foreign governments. Of course, these areas cannot in actuality be clearly delineated since, for example, military and political intentions are strongly interconnected and economic factors will have a profound influence on both other areas. However, they do provide useful headings for analyzing the usefulness of various intelligence sources.

II

In the area of military development and deployment, there is little question that photo-intelligence today provides not only the greatest quantity but also the highest quality of information. Satellite photography—unlike aircraft reconnaissance, which it has largely supplanted—can, in a relatively short period of time, provide visual evidence of military deployments throughout a country or even a continent. Moderate-resolution photography can be used to provide almost continuous surveillance of a country even as large as the Soviet Union, and high-resolution systems can provide detailed information on targets of specific interest. The greatest drawback is cloud cover, which can impose considerable delay in many areas of the world. The initial discovery by U-2 photography of the offensive missile sites in Cuba in 1962 was held up for a couple of weeks by weather. However, satellite photography is now so extensive that for a nation to rely on cloud cover to conceal its operations would be a risky tactic.

Of course, a camera cannot see through the roofs of buildings, but with modern military technology it is hard to keep any significant weapons program or troop deployment completely concealed from the camera's eye. The construction of new facilities above or even under the ground, the shapes of buildings, and the required logistic support almost inevitably provide clues as to the existence and nature of a military target. Road patterns and excavations give evidence of missile sites long before they become operational: successive Secretaries of Defense have, for many years now, been announcing new Soviet missile silo construction more than a year before the launchers were ready for use. Without photographic intelligence, productive strategic arms limitation talks would be impossible: it is essential both in determining the desirability of an agreement and in verifying that no violations occur.

Since photography, even using sophisticated infrared or laser techniques, is not capable of making observations beneath the surface of the water, satellites have no potential for locating submerged submarines, but such ships are observable in their home ports and during

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construction. Acoustic sensors on ships or in the ocean must be used in place of cameras to maintain surveillance of submarines underwater.

One other drawback to satellite photography is the time delay between the observation and the analysis of the picture by the intelligence expert. The picture can be relayed back to earth through a television link when the satellite is in range of a friendly receiving station, but the transmission causes some degradation in the quality of the photograph. For best results, the film capsule must be returned to earth, and this can involve delays of three or more days even under the best of circumstances. In addition, there are practical difficulties in getting a satellite over a specific cloud-free area at a specific time.

For all these reasons, the usefulness of satellites as a source of tactical intelligence is limited. Where immediate results are required, an aircraft platform is often necessary in place of a satellite, but in peacetime this, of course, creates many serious political obstacles, being regarded as a clear infringement of sovereignty (to an extent not now the case for satellites). Such aircraft overflights are generally known by the nation covered, and there is always a risk that the plane will be destroyed. The political furor that was created when the U-2 piloted by Gary Powers was shot down in May 1960 as it was attempting to get intelligence on Soviet missile deployment before the Eisenhower-Khrushchev summit is too well known to need elaboration.

In some circumstances, however, the need for information may override the potential political hazards. Two years after the ill-fated Powers flight, American U-2 planes overflew Cuba looking for Soviet missile deployment, and an Air Force pilot was even killed. The need was clearly urgent, and the political repercussions were actually minor because of the worldwide recognition of the dangers presented by the Soviet move. In more recent times, photography obtained by aircraft operating in the Middle East has been widely recognized as a stabilizing influence. Thus, despite the political and, in some cases, military risks of aircraft operations, the need may justify them. Where possible, though, reliance should be placed on satellite platforms, which do not have the same political drawbacks.

Photography is not only useful in providing intelligence on capabilities but frequently is the most reliable source on intentions as well. Pictures showing the location of deployed forces, their movements, and their capabilities give valuable clues as to probable plans for their use. Observations of the movement of aircraft to forward bases would be a strong indicator of possible plans for an attack. Conversely, the failure of naval vessels to put to sea would be an indication that no immediate attack was planned.

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Communications intelligence is also a primary source of information on intentions. Tight communications security, through the use of codes and other techniques, can of course sharply limit what can be learned from these sources, but it is not always practical to use such countermeasures on the scale needed to conceal modern military operations. Opportunities for security breaks are manifold. Conversely, however, communications intelligence is quite susceptible to deception, and too heavy reliance on these methods can lead to grievous intelligence failures. Careful manipulation of communications procedures can sometimes lead to false alarms or failures to recognize the imminence of an event. Misinterpretation of communications intelligence reportedly contributed to the failure to predict the outbreak of the October 1973 Middle East conflict.

Electronic intelligence is not limited purely to monitoring communications. Most modern military systems make extensive use of radar, and telemetry is normally used to give the design data from tests of new weapons such as missiles; the ability to record the emanations from such equipment, sometimes at great distances, is an important intelligence asset. An air defense radar that is not in operation, and therefore potentially monitorable, provides little air defense since it must be turned on to detect and track incoming aircraft. Testing and training exercises make it possible to learn the detailed characteristics of such systems long before the equipment is operational. And "spoofing" this type of intelligence is almost always impractical.

While the mass of published material on U.S. military matters is undoubtedly a valuable resource for foreign intelligence organizations, no similar open sources exist on the military capabilities of the U.S.S.R. and China. These nations have no parallel to *Aviation Week* or published congressional hearings. Even the military literature that does fall into our hands is often suspect. Those writers who are allowed to publish in the Soviet Union rarely express the inner thinking of the influential Soviet military planners. Sometimes, as in this country, such articles express the wishes of military minds but bear little resemblance to real policies. Often they are released to serve political objectives and are therefore untrustworthy, or, in many cases, are simply mirroring U.S. thinking in order to make up for the author's inability to publish Soviet views. Technical literature almost never contains any material of real military interest, and too often intelligence analysts are left to draw conclusions from what is not published rather than from what is. Even the published Soviet military budget is not a useful intelligence source: both former CIA Di-

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rector William Colby and General Daniel Graham, then Director of the Defense Intelligence Agency, testified on July 21, 1975, before the Congressional Joint Economic Committee that dollar comparisons of the U.S. and U.S.S.R. defense budgets "were doomed to produce misleading results." Only the forces and weapons in being or under development are meaningful.

While rarely providing important information on military capabilities, technology or strategies, open sources can occasionally supply useful background on military intentions. With the large size of the current nuclear arsenals, it is unlikely that either the U.S.S.R. or China would launch an attack out of the blue. Instead, it is more likely that there would be a period of rising tensions in which they would be seeking to gain broad world public support for their position.

Open sources are, however, of much greater value for determining the military capabilities of Third World countries. In most cases of real interest, the forces, levels and types of weapons available have been publicly known as a result of coverage by the international press, from attachés, and from information furnished by nations supplying these countries with arms.

What is the true usefulness of espionage on military matters as compared with photography, communications intelligence and open sources? The honest fact, I believe, is that human covert sources rarely provide useful intelligence in the military area. It is hard enough to recruit an agent who has any inside knowledge on military affairs, but it is even more difficult to recruit one who has sufficient technical background to provide timely and meaningful information on the characteristics of modern weapons. Even Penkovskiy, the most celebrated Soviet defector-in-place and Western spy, who supplied intelligence on Soviet missile and other military programs in the early 1960s, provided in retrospect little information of major importance.[2] Every little tidbit that he provided was gobbled up with great avidity by the intelligence community, but now it is hard to pinpoint any specific information which had a significant effect on our intelligence estimates. He was primarily useful in describing organizational relationships, confirming data from other sources, and adding confidence to existing assessments. And this was at a period when our technical means of collection were less advanced than they are today. While another Penkovskiy may be developed in the future, it is difficult to

[2] Colonel Penkovskiy was a high official in Soviet military intelligence with wide access to high military circles. He was recruited as an agent but was eventually detected and executed, in circumstances recounted fully in *The Penkovskiy Papers*, trans. Peter Deriabin, New York: Doubleday, 1965.

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see how such agents can ever be counted on as a major factor in our intelligence on Soviet or Chinese military matters.

In other countries, where security is less stringent, covert operations can be of somewhat greater value. Occasionally, Soviet equipment is obtained in such areas, and its capabilities studied and evaluated, but weapons exported from the Soviet Union are rarely if ever of recent origin and are therefore of marginal value. If the Soviet submarine had been successfully raised from the Pacific floor last year by the *Glomar Explorer,* it might have been well worth the high price of that operation, but this should not be considered a covert operation in the normal sense of the term. The salvage of a sunken ship in international waters is, after all, perfectly legal.

Only in the area of military intentions does espionage have an important role, but even here the potentialities are often greatly exaggerated. It would be extremely fortuitous if an agent could be recruited to provide advance information of an impending military operation. A defector might, by chance, supply some facts, but the time delay in getting his knowledge to the intelligence community would normally be too great to permit appropriate counteraction. Furthermore, the very nature of such sources renders them very unreliable in time of crisis. Agents are too often doubled or suspect for personality reasons. It seems likely that unless the information could be confirmed by other means, it might well be—or should be—ignored. For example, in World War II, the British succeeded in doubling the entire German spy net in England and then used the agents effectively to deceive their German masters on the nature of the invasion of the continent.

At the time of the Cuban missile crisis in 1962, there were reports from many sources that Soviet offensive missiles were being emplaced in Cuba. Many of these were patently false, partly because untrained observers were confused between offensive missiles and the defensive ones that were known to be in the process of deployment there. In a postmortem after the crisis was over, it was determined that only a handful of these reports were accurate, and the value of even this limited good information from these human sources was lost in the noise of the inaccurate. Such reports, true and false alike, did flag targets for U-2 photography, but not until the pictures were available could our policymakers begin to react to this hostile Soviet move.

Apart from what information on military programs and intentions can be obtained by the various methods, there is an important factor concerning the public usability of such information. In a world where governments (especially the American government) have not only to

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know things privately, but to persuade their own people and other governments of the validity of their conclusions, this factor tips the scales of emphasis sharply in the direction of the overt or semi-overt forms of collection. Agent operations can almost never be disclosed without the likelihood of seriously impairing or destroying the future usefulness (or life) of the source, and also of political repercussions. And while the general practice of communications intelligence is accepted today as a fact of life by most countries, the disclosure of individual operations is almost always fatal to their continuing usefulness. Therefore, information from such sources is extremely difficult, often impossible, to use.

The same should not be true for overhead photography. Although this initially involved very sensitive operations because of the need for illegal and very provocative aircraft overflights—such as the U-2—satellite platforms have fundamentally changed the situation. As a practical matter, satellite photography has now been given international legal status by the Russians when, in the Anti-Ballistic Missile Treaty of 1972, they formally recognized that "national technical means" should be used for verification and could not be interfered with. The negotiating history makes it clear that satellite observation is included among these methods. In view of this recognition of the legality of such intelligence techniques to obtain military information, the removal of the high classification barriers imposed by our government to the broader use of satellite photography is long overdue. The claim that such action would provoke Soviet political counteraction against satellite observation, as was done in the case of the U-2, no longer has any validity.

III

In the economic area, espionage probably has even less application than in the military. Economic information by its very nature tends to be more openly available even behind the iron and bamboo curtains. Such data must be more widely disseminated than military, since it is necessary for the normal operation of the government. This is particularly true in such nations as the U.S.S.R., with its highly centralized economic planning. And there are many opportunities to obtain information from non-classified sources to assist the economic intelligence analyst. Even photography can be useful—it apparently provided advance evidence of Soviet crop failures in the summer of 1972 but unfortunately was never used by those who were outwitted on the grain deal. Even though economic information is becoming increasingly important, it is rarely necessary or desirable to risk a recruited

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agent for the supply of economic data, although overt human sources, such as visiting businessmen, can often provide useful information in this area. To an overwhelming extent, accurate and timely economic information depends on the meticulous analysis of the immense volume of data that is available from open and semi-overt sources throughout the world.

In the political intelligence field, however, espionage finds greater justification. Here, the goal is to understand what people are thinking or planning. This is less susceptible to technological intelligence collection. When such ideas are translated into words or put on paper, the opportunities for procuring the information by espionage increase. The theft of a plan is always a distinct possibility, but the difficulties in carrying out such a covert operation are extraordinarily great. Bugging the Kremlin is a nice idea for spy fiction, but our national security planners had better not place any reliance on such a source. Recruiting an agent who is privy to the inner Soviet circles can be an important goal of our clandestine services but is not to be counted on. Soviet and Communist Party activities outside the Soviet Union are a much more lucrative target for clandestine intelligence operations. While a considerable part of such operations falls under the heading of counterintelligence (to be discussed later), these operations are often capable of providing important political information of a positive nature. For example, in 1956 it was actually CIA counterintelligence operations that obtained and led to the publication of Khrushchev's secret speech to the 20th Party Congress, thus revealing to the world a vital development in Soviet internal politics—and of course deeply embarrassing the Russians.

As to non-communist countries, in the more advanced nations normal diplomatic reporting and the availability of full and frank press reports almost always make the need for clandestine positive intelligence operations minimal. However, in the less advanced countries such open sources are often not adequate. In such countries decisions are often made by a small coterie of persons inside or outside the government without exposure to the press. In many countries, governments come and go with extraordinary rapidity, thus creating simultaneously a need for timely inside information and large numbers of dissident or dissatisfied individuals with access to it. Understanding of the political motivations and advance knowledge of the plans of all elements in a country is, of course, an important intelligence objective.

I suspect the need for covert intelligence operations in these areas is today increasing. A number of Third World countries have been erecting their own barriers to outside inquiry of all types and thus

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hampering the activity of foreigners, especially Westerners, whether from the press, academic institutions, or diplomatic representatives.[3] To a very considerable extent, such nations are becoming themselves closed societies in which it is not possible to obtain even the kind of information readily available in the United States without resort to covert methods of intelligence collection.

However, in weighing the usefulness of covert intelligence to obtain political information, it must always be remembered that an agent can also frequently be an important source of misinformation since he may often have ulterior motives in supplying intelligence. This risk can be particularly great in cases where covert action, such as the overthrow of the government or influencing internal politics, may be simultaneously involved. This is another reason why such covert actions should be abandoned or at least divorced from intelligence collection. It has been claimed that political support is a useful tool for procuring information, but the gains therefrom are more than overbalanced by the fact that the information mission is all too often subordinated or subverted and the intelligence consumer suffers.

Even in the case of closed societies, public information and overt means are still probably the most important sources of political intelligence. Over the years, a coterie of experts on Soviet politics has grown up. The so-called Kremlinologists study every facet of Soviet life, its open literature and public statements, to develop an understanding of the social and political factors influencing Soviet decision-making. Similar groups, although far less extensive, follow other areas of the world. And the intelligence community has its own inside experts who have access to classified as well as to public information. Undoubtedly, information obtained by espionage provides for them a small but occasionally high-quality addition to the more readily available data. But even when sound information is provided by a covert source, it is useful to have a parallel open reference to the same material in order to use it publicly.

Similarly, while the interception and decoding of important communications may on occasion be useful for political and economic purposes, it is surely, again, the careful study of what is openly and widely transmitted that is most effective. The CIA's Foreign Broadcast Intelligence Service is quite properly an important tool widely shared with scholars and others throughout the world. And there have been occasions when open radio messages have provided crucial advance information: I recall particularly the case in 1961 when the

[3] See for example, Henry Kamm, "The Third World Rapidly Turning Into a Closed World for the Foreign Correspondent," *The New York Times,* January 14, 1976, p. 12.

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Soviets sent over the radio, uncoded and three days in advance, the text of a press release announcing that they were conducting a nuclear test—thus unilaterally terminating the test ban moratorium that had been in existence for nearly three years. Unfortunately, in this case, the intelligence break was squandered when it was decided that it would be unwise for the President to put his prestige on the line by making strong representations to reverse the Soviet plan.

IV

So far I have discussed the collection of positive intelligence in the military, economic and political fields. Counterintelligence is very different, very arcane, but nevertheless very important. Not only must we continue to detect and counter the continuing very extensive operations of the KGB, the Soviet secret intelligence organization, but we must also now deal with the new and rapidly growing threats from terrorism by unstable individuals or dissident groups. In the future, we may be faced with even higher levels of violence than we have been in the past. The burgeoning nuclear power industry is making available in many parts of the world ever-greater quantities of fissionable material, particularly plutonium, which can be readily converted into nuclear explosives. The opportunities for nuclear threats or even an atomic catastrophe are growing rapidly. Physical security over these dangerous materials can probably never be 100 percent effective, and we cannot await a blackmail letter before attempting to address the problem; counterintelligence may be a vital tool for combating terrorism both at home and abroad.

Nevertheless, counterintelligence operations, particularly at home, have certainly produced unacceptable abuses of our fundamental constitutional rights, and we must develop new methods of guarding society from violence or foreign subversion without trampling on individual liberties. While the transgressions of the CIA have attracted the greatest public notice because its charter does not permit active operations within the United States, the activities of the FBI, which has the primary responsibility for internal counterintelligence, raise the most critical constitutional problem. To date, foreign operations have not come under serious criticism for having abridged civil rights even though many of their types of operations are similar to those carried out within the United States. Since internal security is a very large and in many respects a separate field which goes beyond what can be adequately covered in this article, I shall concentrate my attention on those aspects of counterintelligence operations which have foreign as well as domestic implications and not attempt to draw con-

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clusions on how we solve our national constitutional problems.

There can be little doubt that covert human operations abroad—all that goes into counterespionage—remain a vital technique. In this area neither overhead photography nor the direct use of open sources can play a major part. The infiltration of potential threatening organizations or groups is a basic tool of the game. Defectors have been extremely important in the past, and it is interesting to note that the more productive of these have come from the KGB and have probably provided better information on the intelligence operations of the communist bloc than on any other aspect of their society. Moreover, the defectors and agents that have produced the best positive intelligence in many other areas have also often come from foreign intelligence services—for example, Penkovskiy. It is a strange commentary that members of these supposedly high-security organizations should be the most susceptible to subversion.

Much more serious issues are raised by new technical methods that have significantly advanced the art of counterintelligence but unfortunately—instead of making it easier to obtain information without provocation as similar advances have done in the positive intelligence areas—have created a whole new class of threats to personal privacy. Today electronic eavesdropping and computer data banks are prime tools of the counterintelligence trade, aiming to sift out the messages and activities of foreign agents or terrorists but at the same time almost necessarily catching up in their net a vast amount of information on ordinary citizens. (This problem also applies acutely to the collection of communications intelligence for positive intelligence purposes.) The same is true of security checks on our own intelligence personnel, which are necessary to expose dangerous individuals and to protect against the unremitting efforts of the KGB in particular to penetrate our own sensitive organizations.

How are our intelligence agencies to collect what is important, and at the same time to ensure that information irrelevant to valid counterintelligence purposes is destroyed or put aside beyond reach of misuse? Are there areas of information that must simply be omitted—as, for example, the CIA, under threat of disclosure of a patently illegal activity, abandoned in 1973 its scanning and occasional opening of mail to the Soviet Union? And can the balance be struck through legislation? The problems are immensely difficult, already addressed in part by newly proposed FBI guidelines, and doubtless to be considered further in the report of the Church Select Committee that is in press as this article is written. I suspect, however, that we shall need to go further than these efforts to get at the roots of the problems and

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to establish balanced standards for operation, which should then be rigorously applied through some form of continuing supervision.

Counterintelligence operations go against the grain for many Americans, an attitude compounded by the fact that the information gained through them is almost always extremely sensitive, difficult to use publicly without compromising sources, and thus frequently useful only for guidance and warning to our law enforcement officials, rarely as a practical means of bringing an enemy agent into a court of law. But in the world of today—again having in mind not only the KGB but also the rapid spread of terrorist groups—it is hard to avoid the conclusion that effective counterintelligence, in turn largely covert, is *essential to our true security—indeed that it may in itself justify the* continuance of a major covert foreign intelligence organization in some form. But a whole new effort to establish standards and controls over such operations is plainly needed.

V

In sum, espionage would appear to have a limited but nevertheless critical potential as a source of intelligence information. For counterintelligence, covert agent operations are probably irreplaceable. However, on the national security and military activities within the Sino-Soviet blocs, it will rarely supply data of any great value or data easily usable for decision-making in a democratic society; it is, therefore, a relatively unimportant and less reliable adjunct to technical methods of collection such as satellite photography and communications and other electronic monitoring. These latter probably are more valuable than espionage, even in providing the basis for estimating the intentions of Soviet and Chinese leaders. Open published information and that obtained through diplomatic and other overt contacts is by far the most generally useful source of political and economic intelligence.

Nevertheless, it would be wrong to halt clandestine agent operations even for the collection of foreign intelligence. These can be most useful, not in the U.S.S.R. and China where security and control over individuals are great, but in Third World nations where the knowledge of the attitudes of persons outside, as well as inside, the government is essential if we are to conduct a sound foreign policy. The threat of espionage can also be at least a deterrent behind the Iron Curtain. However, the limited value of agent operations combined with their potential political liabilities makes it incumbent on the U.S. government to limit such activities to those targets where the potential gains clearly outweigh the potential risks. We have no room for operations for operations' sake in our intelligence structure.

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THE FRANCO-GERMAN ENTENTE

By James O. Goldsborough

THIRTEEN years ago, in January 1963, Konrad Adenauer, 87, arrived in Paris to sign the Franco-German friendship treaty with Charles de Gaulle, 73. The "mystical communion" between these two old Catholics was strong enough that not even de Gaulle's veto of British entry into the Common Market the week before could stay the signing. Both men also shared the same political belief: Europe was no stronger than the bonds that linked France and Germany. It was a far-reaching treaty, unique for both countries in the kind of consultative machinery it set up. Yet de Gaulle's veto of Britain did, in fact, send it into a quick eclipse. A few months later Adenauer and his "German Gaullists" were gone, Chancellor Ludwig Erhard and Atlanticism had arrived, the Bundestag had added a preamble to the treaty that de Gaulle told Willy Brandt was a "personal offense," and the General, wearily, would remark that treaties, like young girls and roses, faded all too quickly.

Fade it did, but not away. Thirteen years later it remains the foundation of a relationship that has not ceased to evolve. The treaty has been severely tested, and in the worst days of Gaullist excess and German indifference was almost forgotten; but the mechanisms were still there, ticking away, so that the meetings went on, the consultations, the discussions, the negotiations. The treaty survived Erhard. It survived President Georges Pompidou, no more than an interlude in French history, a regent. It survived Brandt, who, with Ostpolitik to occupy himself with, did not have much left over. It survived Michel Jobert, a foreign minister who learned everything from the Gaullists except the one thing they never understood: you cannot make the Germans choose between France and the United States.

Throughout the years of estrangement, the process continued, the contacts deepened. "We leave Paris at 12, are in Bonn by 1:30, negotiate three hours and are back home for dinner," explained one official who knows the mechanisms well. By the time Chancellor Helmut Schmidt and President Valéry Giscard d'Estaing, nothing mystical about either of them, came along in 1974, the treaty had proven its staying power. Both men looked at Franco-German relations with a cold eye and without the old phobias. And they reached the same conclusion: France and Germany could gain more acting together than apart.

De Gaulle had remarked to Adenauer on his trip across the Rhine

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in 1962 that, "the two nations complement each other in territory, labor and genius." The old men had sensed that if these two countries could use the differences in their characters to complement each other's weaknesses, then the result, in a Bergsonian sense (and the General was a Bergsonian), would be greater than the sum of the parts. There was true potential for an *élan vital*. Schmidt and Giscard d'Estaing saw it in much more pragmatic terms. "The Adenauer-de Gaulle relationship was much more solemn because of their personalities," explains a French official. "Today we do it at the shirtsleeve level."

The image of a Frenchman in his shirtsleeves is striking. Yet how else to explain the kind of relationship between Helmut and Valéry, who first-name each other and "speak the same language," which happens to be English. Giscard's choice of foreign minister, Jean Sauvagnargues, was an explicit gesture to Bonn, for any number of competent career diplomats might have been chosen over this Germanist. Though Sauvagnargues' relations with Secretary of State Henry Kissinger have been formal, still Sauvagnargues has been responsible for implementing Giscard's policy toward the United States, which in the words of a German official, "has markedly improved Franco-American relations, which no longer pose a problem for us." Giscard undertook a whole series of steps to improve relations with Washington which, in turn, removed the lingering tension with Bonn. There have been Franco-American agreements at Ottawa, Martinique and Rambouillet, compromises on gold, on NATO and on negotiations with the Third World. The Jobert charges of a Washington-Moscow "condominium" and Kissinger's counter-charges that France wanted to build Europe "against" the United States have given way to more reasonable analysis. Neither side will admit that good Franco-American relations are a precondition for Franco-German harmony, but both say it "facilitates" such harmony. In any case, for the moment Bonn is not being asked to choose.

The question asked today is: How long can this last? How far can this relationship go? Is it a passing phase attributable merely to the pragmatism of the new leaders, neither of whom has any interest in the symbolism and stereotypes of the past? Or is it that the two nations are discovering something deeper, a community of interests in a world of superpowers and regional and special interest blocs that would gladly relegate them to second-class status if they could? The debate goes on, for there are these two ways of looking at the Franco-German relationship today: one sees it as a phase only, made possible by détente and the Schmidt-Giscard rapport; the fundamental interests of the

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two nations diverge and will diverge more. The other sees it as the beginning of the realization of what de Gaulle and Adenauer sensed—that the two countries are discovering that it is in their own and Europe's interest to act together, and the passing of Schmidt and Giscard will not change that finding.

II

These two giants of continental Europe, whose gross national products today make up over half the nine-nation European Community's total GNP—$660 billion out of $1.2 trillion—came out of the war with the same hostility that had marked relations between them since Richelieu. "What, the French here, too!" cried Field Marshal Keitel at the Rheims surrender in 1945. André Francois-Poncet, former ambassador to Berlin and France's leading Germanist, who became high commissioner for Germany after the war, wrote during the postwar years that for Germans "obedience is a virtue and even a pleasure. Liberty is strong wine which goes to their head." The implied contrast with French predilections was unmistakable. De Gaulle's own plans in 1945 for dividing Germany up into city-states and keeping them rural sound today like Jefferson's program for the United States 200 years ago. Yet by 1947, faced with Soviet intransigence, things were changing. The Ruhr accord of 1948 assured some sharing of coal and steel. The Petersberg protocol the following year returned to the defeated nation a little international respectability, opening the door to the Council of Europe, the Ruhr Authority and the Marshall Plan.

Early in 1950, Adenauer told Kingsbury Smith in an interview almost forgotten today that the union of France and Germany was the "sole possibility for achieving European unity . . . the thought of rivalry between the two nations would disappear." That declaration received considerable criticism in France, though, noticeably, not from de Gaulle. In May 1950, French Foreign Minister Robert Schuman, an Alsatian, born a German, announced the Schuman Plan, the pooling of all French and German coal and steel production, in a schematic sense an exchange of French coal against German steel. The idea was so simple as to be brilliant. "Why is an idea so banal accepted as something vital and new?" wondered Raymond Aron. Yet it was. Prepared by the Monnet staff, it was the first functional approach to European unity. Instead of Carolingian proclamations, Europe was to be built piece by piece. "It is not a coal and steel association, it is the beginning of Europe," remarked Monnet. When ratified by both nations a year later, the foundation of Europe was laid. For France, the Schuman Plan was no less than a rupture with

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the axiom laid down by Richelieu 300 years before: that German weakness was French strength.

After the breakdown of negotiations that might have led to a European Defense Community in 1954, the construction of Europe grew out of the Schuman Plan. This phase culminated in the Treaty of Rome in 1957, inaugurating the Common Market but without British participation. When de Gaulle returned to power two years later, the Germans at first feared that all was lost, and Adenauer believed de Gaulle "nostalgic for the Franco-Russian alliance." But four years later came de Gaulle's triumphal *"Sie sind ein grosses Volk"* tour of Germany, and Carlo Schmid, the Social Democratic vice president of the Bundestag, could remark, "if de Gaulle shakes our hand it is that our hand is no longer dirty." There was a certain amount of delirium, and Schmid, champion of Franco-German rapprochement, also warned against excesses that might lead the "Anglo-Saxon world to lose interest in our destiny."

III

A little over a decade later, two relatively young leaders have taken power and through coordinated policies are attempting to drive the final nails into Richelieu's coffin. Though products of their separate cultures and totally different in temperament, Helmut Schmidt and Valéry Giscard d'Estaing by formation and conception are similar. Both professorial and reflective, these two politicians are discovering that they increase their influence geometrically when acting together, and when divided, their individual influence, and Europe's, become marginal. "For both men," explains a German official, "the other represents the only serious country in the Community. It is inevitable that they seek each other out."

In person they are totally different: Giscard, elegant, aloof, well-bred, intense. Schmidt, a figure out of Wilhelm Busch, Elbe bargeman's cap and pipe, sharp, quick, shrewd, outspoken. At first Giscard couldn't understand Schmidt, and said so. Much of Giscard's first year in office, Schmidt fumed around Europe, lecturing the British, lecturing the French, with occasional trips to America to lecture Americans. But in 1974–75, many of the Social Democrats' favorite schemes didn't work out, or cost too much, or were opposed by the Free Democrats, and Schmidt himself did not have a healthy year. Giscard sat shaking his head in his Elysée apartments, offering succinct portraits of Ford, Wilson, Brezhnev, but stumbling over the man from Hamburg.

The French Foreign Ministry also marveled over Schmidt's lec-

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tures. One official, who in 1945 had been part of the first French occupying force in Germany, remembered the ruins and said: "Never would I ever have imagined that only 30 years later I would be sitting through economic lessons given by a German to Americans and Frenchmen."

The earliest decision on coordination made by Schmidt and Giscard d'Estaing came in mid-1974, soon after Giscard's election and on Schmidt's first trip to Paris to see him as president. The two economists agreed that the recession would be a good time to begin the harmonization of both their economies.

The two countries had been opposed over European economic and monetary policy throughout the Pompidou years. The French preferred a monetary approach, involving the gradual creation of a single currency. The Germans argued, rightfully as it turned out, that first the economies had to be aligned, with coordination of spending, taxation, interest rates, employment and inflation. At the Schmidt-Giscard meeting in the summer of 1974 it was decided—the first of many similar decisions—that if the Nine couldn't do anything, the Two could. Practically, it meant that Germany, so tightly controlled, would loosen the economic reins and reflate, and that France would deflate.

Hardly revolutionary, still this was a reversal of traditional posture. Seldom in the history of five volatile French republics had a government allowed unemployment to climb as a deliberate policy. The French were criticized by the Organization for Economic Cooperation and Development (OECD) for letting their deflationary policy go on too long. Gradually, however, inflation was reduced to manageable figures, and the franc gained solidly against the mark. By mid-1975 the franc was strong enough to reenter the European joint monetary float—or snake—a risky decision by Giscard but one he felt obliged to take. For how could the champion of European unity remain outside the main monetary achievement of that unity?

Bonn began reflating late in 1974, continued throughout 1975, and for those two years will have had budget deficits totaling about $50 billion, unprecedented for modern Germany. The Germans bore the recession well, better than most, and not just because of the deficits. The nation had more reserves to live off, the unions behaved well, the unemployed were better paid, the companies had more money to pay in indemnities and more foreign workers to send home (about 500,000 of 2.4 million *Gastarbeiters* will have returned home permanently as a result of the recession). If anything, the recession magnified the structural differences in the French and German economies, which

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will need to be eroded if a single economy is ever to emerge. The German system is more paternalistic, with an employer-employee relationship akin to the Japanese. The French company frequently is dominated by the family, or the *patron,* who, however, fails to share the German view that profits are made in the good years to pay for the bad. There is a saying that "in France the company works for the family and in Germany the family works for the company."

Other differences make the economies dissimilar: the Germans are more export-minded and prone to favor free world markets, while the French, with Giscard d'Estaing's "new world order" concept, lean toward international arrangements and intervention, at least where it concerns the developing world. True industrial cooperation has a long way to go, basically because of the structural differences. There are few joint ventures, and where there are they usually are armaments projects. Less often does one find the kind of industrial cooperation that would show that the two economies are gradually fusing.

Thus for every industrial achievement there are disappointments. The Rhône-Rhine canal will become a crucial economic link when it is completed, but the two have gone separate ways on computer technology and enriched uranium development. They collaborated to build Airbus, the 300-seat jetliner, only to find that the German airline Lufthansa is reluctant to buy it—as it never bought a single French-made Caravelle. "The French complain that we do not invest in their provinces," says a German official. "The truth is we don't because the phone service is so bad."

But French industry is maturing, and as it becomes more export-minded a certain policy imposes itself. Thus inflation must be fought, the franc defended, a Franco-American agreement on central bank intervention achieved, price indexation opposed—all this conforming with German views. Diplomacy also reflects the needs of industry: if there is one area where the French hope to expand economically it is in the Mediterranean and the Arab world. Thus France strives to maintain the most "liberal" Middle East policy, even when it creates difficulties Giscard would prefer to avoid, such as with the International Energy Agency or Jewish sentiment in his own country.

The Hudson Institute-Europe has called the Franco-German economic evolution a new "binary" relationship. "The Franco-German inner core [of the European Community] is a true economic superpower," it says, "larger than the U.S.S.R. and virtually half the size of the United States. The emergence of this new superpower is an event of major historical importance." Whether it becomes that or

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not depends in large measure on the political accommodation now being undertaken, but it is certainly the goal of the Europeans to become a superpower.

The industrialization of France has been achieved to the point that Hudson-Europe, backed up by a new World Bank-Johns Hopkins University study, now predicts that France will pass Germany in total GNP by 1980 (though this is certainly a debatable point). French industry, it is said, is losing its inferiority complex vis-à-vis the Germans. The interaction of the two economies, reversing historical patterns, has made both France and Germany the other's largest customer and supplier. Their bilateral trade relationship is now the third most important in the world, ranking only behind U.S.-Canada and U.S.-Japan. The old agricultural conflict, which had poisoned Franco-German relations and created heavily-subsidized surpluses, has diminished as world food prices in many cases climbed past the Community's support prices. Food has become an asset, and Europeans complain today that they do not have the capacity for agricultural sales to the Soviet Union that would increase their leverage with that giant to the East.

IV

In the litany of the Common Market, first there was to be economic cooperation, then political, and finally defense. That order, established with the Schuman Plan and later defended by the Gaullists, could never be broken. To a large degree, however, it has been. The institution of the European Council, the nine chiefs of government, in December 1974, created in the midst of the recession, has given priority to the notion of political will. At the same time, the functioning of what the chancelleries call "Coreu," or European Correspondence, has been improving, which means it is very rare to see the Nine take differing positions on subjects as diverse as Timor, Angola, Zionism or Helsinki. This has been a change not just for the French but for Giscard d'Estaing, who during his first months in office appeared to believe that French diplomacy could remain distinct from Community diplomacy. Explains a German: "The French have learned that they are better off when they have the Community behind them than when going it alone." It still happens that there is not a Community consensus, particularly concerning the Middle East, but this is rare and getting rarer.

The European Council, Giscard's idea, met three times in 1974—in Dublin, Brussels and Rome. Though two of the three meetings were dominated by British problems, the Council worked and showed

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that the nine chiefs of government could act to solve prickly problems that in the past would have been referred back to governments and dragged on interminably. The decision taken at the Rome meeting—to hold popular elections to the European Parliament in 1978—should not be underestimated. It means that in only two years there will be a true European Parliament. The Gaullists certainly sniffed the danger, and Michel Debré, writing in *Le Monde* in December, denounced the step in tones that barely fell short of insulting the President. Inspired by separatists, wrote Debré, the European Parliament is a scheme of men of "anti-French dispositions, who cheered indecently at the departure and death of de Gaulle." It will lead to subordination to the United States, he said, with France losing her "independence, influence and unity."

Debré's analysis gave a curious twist to an old issue. The Gaullists, some of whom will oppose the European Parliament scheme and hope to have it declared unconstitutional, argue that a united Europe would be dominated by Washington, since Brussels will always be dominated by Washington. They reason that it is only through national sovereignty that the creeping menace can be resisted. The twist is that, throughout the Gaullist years, the argument was that there could only be an Atlantic Europe *or* a European one—the two could not coexist. But under Giscard d'Estaing Atlantic and Euro- relations have been improving at the same time.

Neither Bonn nor Paris today is concerned with such quarrels over priorities. Neither capital today believes that a choice must be made or that even in a crisis European and American interests necessarily would diverge. The two nations have decided to act together economically and politically, and it is not sterile debates over Atlanticism that are so likely to frustrate them as true points of national divergence or problems with other members of the Community: those are real problems. The problems with the United States, with the Soviet Union, with defense, for the moment are not of immediate concern. The French quarrel with NATO is largely buried, and Defense Secretary James Schlesinger said in Paris prior to his dismissal that there was "no need for France to be involved in the integrated command structure in order to participate fully in cooperation within the Alliance." Another lingering problem, the floating exchange rate of the dollar, was cleared up in November, when at the Giscard/Schmidt-backed economic summit meeting at Rambouillet a Franco-American compromise on managed floating was reached, one which was put into effect at the International Monetary Fund meeting in Jamaica in January of this year.

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V

Both the economic and political aspects of the binary relationship have created problems with other members of the Community. The Benelux nations have always been resentful about being pushed around by the big powers, and it showed as recently as the Rambouillet summit, from which they were excluded. Italy is just as sensitive, and it was over these sensibilities that Giscard d'Estaing included the Italians at the Rambouillet meeting, though Bonn was not enthusiastic. But British sensibilities pose the greatest problem, and there are times, such as during the Rome European Council meeting, when Franco-German collusion becomes so obvious that it is almost counterproductive. Britain for the moment is down, but not out. Most Europeans expect the Community eventually to do for Great Britain what it did for the others 15 years ago, i.e., provide a great stimulus to economic expansion and prosperity, and North Sea oil will certainly not hurt.

It was just this problem of the strong versus the weak that prompted Willy Brandt, speaking as an elder statesman last year, to float an idea for a two-tiered Community, or one, as the French say, *à deux vitesses*. Brandt argued, and his speech was undoubtedly cleared with the government, that the Community must not allow the laggards to slow down progress. Let those that *can* go ahead, he said, the others will catch up when they are able. The idea never has been officially espoused by any of the Nine, though it was backed in January by the influential Tindemans report on European unity. In fact, it is already happening. Britain, Ireland and Italy remain out of the joint float; Britain and Denmark received dispensations at Rome so they need not hold direct elections to the European Parliament in 1978, though they probably will anyway.

The point is that all of these new steps on the European front—the French return to the European float, the direct elections to parliament, the common passport, the European Council, the common front in political talks—are possible because of the basic Franco-German accord. It is their accord and leadership that have put Europe back on the rails following the bad period of 1973–74; indeed the accord was in large measure a reaction to the partial disintegration of those years.

The shape of this Franco-German leadership still is not defined, and this was shown most recently when Giscard d'Estaing floated his ideas for a European "directorate." The reasoning behind Giscard's proposal, which is certain to get serious consideration in coming

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months, was that neither France nor Germany could afford to let new EEC members, perhaps Greece or Spain, or Community laggards, such as Italy, slow down development. Perhaps the time has come, reasons Giscard, when the de facto leadership of the Community should be institutionalized—something that is certain to raise considerable controversy.

While the real impact of the leadership is felt within the Community, the two have also been testing the ice outside. Certainly the Rambouillet meeting never would have come off if Schmidt had not decided to back Giscard. Together, they convinced Ford to agree to the meeting, in the gardens of the British Embassy at Helsinki. Here and there, the two have probed other spots to see what influence they might have. In the Middle East, there have been probings, with Couve de Murville's trip to Beirut the most recent example of an effort to mediate. Both the Germans and French hope that they may move into the Middle East as peacemakers if American efforts get stalled. The two no longer are so divided on the Palestine issue, as Germany has moved closer to Giscard's view that the Palestine Liberation Organization is the only *interlocuteur valable* for Palestinians.

The Franco-German understanding has also made broader initiatives by the Community possible. This was seen in Portugal and will probably be seen again in Spain. The steady pressure the Europeans applied on the Portuguese throughout the premiership of Vasco Gonçalves played some role in making his position untenable. A loan of $840 million over 5 years from the European Bank (the Community's development fund) was allocated for Lisbon, then held up rather spectacularly during the summer European Council meeting while waiting for a "pluralistic democracy" to emerge in Portugal. "We are not in the business of financing dictatorships," said Foreign Secretary Callaghan testily. This considerable sum contrasted with the paltry $30 million in U.S. aid that was tendered. At the May NATO Council meeting, the Dutch, the Danes, the British, the Belgians—those governments most Socialist in outlook—made it clear to Gonçalves that a radical leftist Portugal had no place in Europe. Yet here again, the Franco-German understanding was crucial: the Germans because they were backing much of the funding, and the French because their diplomacy is always the most visible.

In Spain, a similar process has begun. There might have been reason to believe that Schmidt, a Social Democrat, and Giscard, a conservative, would not share the same views on how to deal with Juan Carlos. Schmidt might have reason to favor democratic elections with all parties competing openly, and formation of a government

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representing all tendencies, while Giscard, who narrowly beat a leftist coalition two years ago, hardly wants to see such experiments on his southern flank. So far, however, the two have taken the same position on Spain, urging elections, democratization and "Europeanization" without defining it further. Says a French official: "France could not accept a non-democratic nation in the Community." And a German Social Democrat: "Why is it that Mitterrand is snubbed by Schmidt, Wilson, Kreisky and Palme? Because he has a pact with the Communists. We certainly don't want anything like that in Spain."

VI

The Franco-German entente has also changed significantly the relationships between Paris and Bonn and the two superpowers. The Bonn-Washington axis, which some have mentioned, is understandable in military terms but makes little economic sense. For example, Germany has 8.5 percent of its trade with the United States and almost 50 percent with the Common Market. Gaullist détente and German Ostpolitik have shown the limits of Paris-Bonn-Moscow possibilities. Paris has no special relationship with Moscow anymore, as Giscard so rudely discovered on his trip there in October. De Gaulle was useful in his time to the Russians, Giscard is not. In fact, French military doctrine today is at least as bothersome for Moscow as for NATO, as is the French position on arms negotiations.

For Bonn, Ostpolitik has been a success vis-à-vis the West, less so vis-à-vis the East: no longer must Bonn mind its manners with the Allies to win support for reunification, which is comfortably put off until another day. But in terms of enlarging possibilities for the Federal Republic to turn away from the West toward the East, Ostpolitik has achieved little. Bonn has seven percent of its trade today with Eastern Europe, and a third of that is with East Germany. The trend is not noticeably up.

And the Russians themselves have demonstrated the limits of Ostpolitik, as they have the limits of Helsinki. For the Russians are caught in their own dilemma. If Finlandization is their goal, it would not be that hard: détente, Westpolitik and the opening of Soviet and East European markets toward Bonn would be steps. But then who would Finlandize whom? The truth is that the Soviet Union is not strong enough to Finlandize Western Europe. The Soviet goal is a little détente, but not too much. Too much and their closed society must open too far. Too little and they must spend too much on defense. Soviet strength today is military strength, and if

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there is to be détente, how much good does that do?

Yet it is precisely because of the possibility of Soviet military pressure in Europe that there will continue to be a European defense relationship with America. The American stake in Europe is as high as the European stake in America. U.S. direct investment in West European economies is $44 billion today. Western Europe today exceeds Canada for direct U.S. investment, and with U.S. foreign trade now near 10 percent of GNP, no longer is the United States considered a country for which trade is only marginally important. U.S. troops could be drawn down, or the integrated command give way to a classic-type alliance; but these are measures related to military strategy and still need not call into question the basic defense partnership. It is doubtful that a partial withdrawal of U.S. troops today would lead to Finlandization. More likely it would lead to closer Franco-German military collaboration, though since French and German views on the Soviet Union now correspond there already is a tendency in that direction.

The French say the Germans are coming to understand the French doctrine of not joining NATO's front-line defense. "Our nuclear deterrent fits perfectly well into the Schlesinger doctrine of flexible response," says a French official. "The problem is no longer the French relationship to NATO," says a German official. "They are doing a lot, but doing it quietly." One thing they have done quietly is to slip into a new armaments group being set up by NATO's Eurogroup members. The old NATO symbolism, which would have kept Gaullist France out, doesn't carry the same weight anymore, especially since France would risk losing more arms deals if she remained forever aloof from common efforts.

In military doctrine, the French no longer talk of "sanctuarization," i.e., holding back in a conflict until France herself is threatened. Giscard's policy is more flexible in its approach, though France will neither move her tactical nuclear warhead Pluton missile into Germany in peacetime nor pledge the nuclear *force de frappe* to the defense of Germany. The reasons for this are purely political. Most French military men agree that the way to defend France is to fight in Germany.

There is no doubt that the French regard their military card as the strongest one they have to play to gain leverage over the Germans; but they are reluctant to play it. Germany is becoming emancipated. The younger generation does not share the guilt of the older. Under the Social Democrats the Germans have ceased to be "political dwarfs." With Ostpolitik, Bonn itself renounced the idea

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that it was the Allies who would bring reunification, vastly reducing Allied leverage. Bonn and the West Berlin Senate now do their own negotiating with the East Germans on Berlin questions, something that irritated both Washington and Paris (though apparently not London) when a traffic agreement was announced without Allied consultation in December. Germany, a nation without atomic arms, now is able to sign multibillion dollar agreements with countries as large as Brazil for complete nuclear cycle plants (an event which contributed to formation of the Club of London last year by seven large nations seeking rules for nuclear exports to the developing world). The German economy is so big that in the words of one Frenchman, "they are number two on practically every market in the world. Number one is not always the same, but the Germans are always number two."

The German strength is such that Chancellor Schmidt could say recently that "apart from the United States there is no country in the world that need give us complexes." All this means that the French are dealing with a different sort of Federal Republic, and they know it. And it is because the French understand that no matter how far Bonn and Paris can work toward common policies and goals, France still must maintain a degree of leverage in her bilateral relations with Germany that the French hold back the total military commitment. Thus Pluton stays in France, though the French stress that in a crisis it would move into Germany.

What of nuclear cooperation in the future, which Giscard has alluded to, though not by name? It is never likely to be excluded, for a variety of reasons. It remains a strong card to play with the Soviet Union. It remains a possibility, even an eventuality, if the American posture becomes too marginal in Western Europe. And just as in the days of the Multilateral Force, which was conceived in the United States as a way to satisfy a presumed German desire for nuclear weapons, it is a way of opening the door to German participation in a European nuclear force. "A European nuclear force, yes," says a German official, "but never a national one. It would be Hell itself if somebody tried to introduce that." And a high Frenchman: "All Europeans are not in agreement at this time, so it would be a divisive subject. But it is not excluded forever."

VII

Last summer, prior to Giscard d'Estaing's journey to Bonn under the treaty, a high senior French official, not known for his pro-German views, wrote a private appraisal of Franco-German relations,

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which was basically skeptical in its conclusions. He characterized Germany as in a highly evolutionary state. In his view, German nationalism was replacing both Atlanticism and Europeanism. Regionalism was acceptable, he wrote, but within limits. Though there was a new "European interest" in Bonn, the German view still was to seek wider horizons. Germany was emancipated today to the point that it would "oppose the United States when the United States is wrong." Bonn was now able to accept French defense concepts that once were rejected, but not to resist Washington, only Moscow. His conclusion was that the new Franco-German image was in reality a Giscard-Schmidt image. The message, destined for Giscard d'Estaing, was that the President, as the French say, not *"prendre ses rêves pour des realités."*

These somewhat conflicting observations illustrate perfectly the ambivalence in the relationship today, an ambivalence felt on both sides. It is true that Bonn is flexing its muscles; even were the Christian Democrats to win the October elections, there would not be a return to the old subservience. Not just the Germans but all the Europeans are trying to reconcile several diverging views—nationalism, regionalism, Atlanticism, security, détente—and there are bound to be conflicts and oppositions within each country. But most of the present European leadership tend to share a few basic beliefs: that there is a growing identity of interests in Europe; that the old opposition of an independent Europe to an Atlantic Europe was mainly theoretical; that none of the issues that separate their nations is fundamental; that the differences are decreasing, not increasing; that, as stressed in the recent Tindemans report, the recession has increased the imperative for common policy; and that, in the age of superpowers, Europe must act as a unit. These underlying factors motivate the Paris-Bonn attraction, though the skepticism of those with long memories must never be completely dismissed.

If the differences between Paris and Bonn are narrowing, as Hudson-Europe maintains, it is thus essential for the binary relationship that they continue to narrow, for otherwise Germany will grow too powerful for Europe. It was that reasoning that brought Britain into the Community, and the recovery of Britain will contribute to the cohesion of European leadership, not diminish it. For the present, the binary relationship is enjoying a certain success. Germany still is not mature enough politically to try everything alone. If France feels more comfortable having the Community behind her, the same is at least true for Germany. And each feels more comfortable being backed up by the other.

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As for France, under Giscard she is trying to expand, reform, become more global. Giscard believes that France is capable of achieving the kind of economic stability that will make her the equal of the redoubtable Germans. The evidence so far suggests that a principal achievement of these two leaders will have been to put the old Adenauer-de Gaulle conception of relations back on the rails, though this time inside a European Community. There are always eventualities that could derail the train—social upheaval in France, a leftist government, a Gaullist renaissance, a revival of excessive nationalism in Germany—but the probabilities run against these scenarios. The French Left reached a high-water mark in 1974 and the credibility of the Communist-Socialist alliance has been diminishing ever since, notwithstanding a certain recent moderation in the Communists' former Stalinist attitudes. The Gaullists are gradually being absorbed into Giscard's "presidential majority." As for German nationalism, it had a spurt during the 1967–68 recession with the rightist NPD, but that party since has disappeared.

The two nations are thus in the stage of testing the common ground they have discovered. So far it has been firm. Since personalities do play a strong role in the perception of national interests, the relationship at present is being molded by the two men in power, Schmidt and Giscard d'Estaing. But there is evidence today to indicate that when they are gone, the mold will not be broken.

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ON THE ITALIAN CRISIS

By Peter Nichols

A TIRESOME element of drama enters most appraisals of Italian affairs. It is common enough to hear well-wishers say with an apologetic sigh that the Italians are too inclined to dramatize their problems. They have this inclination, certainly. But there is another side to their posturing, and that is that the reactions elsewhere to what Italians do are also frequently exaggerated. I believe it was Ugo La Malfa who said a dozen years ago (at a time when he was *Minister of the Budget*), *in answer to a rather irate question as to* why the Italian economy was faltering after a long period of expansion, that it had not been the Italians who had imposed the term "miracle" on Italy's expansion, or given an Oscar to the lira. In plain words, outside observers who insisted on exaggerating achievement must expect to be disappointed when miracles were quite quickly spent. And there was also an implied confirmation in what he said of the fragility of the Italian economy, which was hidden during the years of expansion. Much more recently, Enrico Berlinguer, leader of the Communist Party, a man who visibly weighs his words, commented that the international press had regularly written of the better times in Italy as marvelous and the less good times as catastrophic, usually with a coup imminent.

This is not to say that the Italians are less interesting than they are supposed to be; the exact opposite is true. But the point is that, if at times they seem theatrical and bewildering, they have a notably strong sense of practical reality. Sometimes it is less obvious than it should be because of the higher degree of tension in Italian relationships in general. But it is there and explains why the normally staid Anglo-Saxon emerges, on balance, as more theatrical in dealing with Italy's affairs than does the Italian. Moreover, this outside interest in Italy is spasmodic. The bursts of dramatic judgments of the Italian scene come, again in a theatrical way, in gusts, like applause punctuating an audience's long stretches of indifference to what is happening on the stage.

This is a mistake, because Italy bears watching closely and continually. And the Italians take into consideration what other people think about them, more than what they think about each other. This partly accounts for the extensive neglect by Italian politicians of their own public opinion, and sometimes resembles a lack of shame in their reactions to charges of inefficiency or even extreme dishonesty. Take

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the case of the great actor and playright, Eduardo De Filippo: he complains bitterly that if he writes and performs a play castigating the politicians or the Church, he knows that leading the queue to congratulate him after the performance will be the Prime Minister or a bishop who will take his hand and call him a genius, and this he finds frustrating. In place of anger, there is connivance in the public's appreciation of the criticism, but no response in the form of trying to do better on the part of those charged with misuse of their power.

Of course, the Italians have done dramatic things, and are still doing so. To mention a few: they have worked through 38 governments since the end of Fascism, meaning that an administration remained in power on an average of less than a year. Yet government, for almost all that time, has been dominated by one party, the Christian Democrats, who have survived long after Christian Democracy in other countries declined and accepted a lesser role. Since 1948, they have constantly reinforced the Western world's largest Communist Party. In scarcely more than a decade, they changed the whole basis of their society from an essentially agricultural one to a society predominantly based on industry, the first fundamental change for centuries in the habits of the people of the whole peninsula. And with this change went an enthusiastic embrace of the values of the consumer society.

Massive change brought its difficulties, and the bad side was probably best expressed by the poet and film director, Pier Paolo Pasolini. In another country he would have been an influential critic instead of a lonely and largely disregarded voice. His message was that the Fascist period had brought nothing comparable to the drastic postwar transformation of society: he hated industrialization as the great destroyer of traditional values and so was led to argue that democracy had turned out to be more damaging to the country's fiber than had Fascism. His private life, and his death at the hands of a male prostitute, enabled society as a whole, with evident relief, to reject his uncomfortable views, including his demand that Italy's democratic leaders be brought to trial on charges of having ruined the country. Of course he was extreme and, in many ways, his judgment was at fault. But he had something valuable to say, in his characteristically tormented manner, about what had happened, under modern pressures, to his country and to the Italian mentality.

II

Whatever one's personal definition may be of history, Italy's postwar history has been less a matter of kings and parliaments than of changes in the lives of ordinary people. Britain once underwent a

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similar transformation, but a long time ago, over a much longer span, and at a time when industrialization was based on production and not immediate consumption in mass markets. And so the process was not only much slower but, in social terms, much more deliberate.

Within Italy, about ten million people migrated in the two decades after the end of the war. They moved largely in two directions: from the countryside to the towns and from the depressed southern countryside to the industrial cities of the north. In the quarter-century after the war, the number of Italians living in towns trebled. The governments of the time made no preparations for such changes. Even at the European level the extent of the exodus from the countryside to the towns caught everyone by surprise. And it is doubtful that many people even yet have grasped the full weight and strain which these events brought to bear on the Italians.

The migration northward had other effects. Southern Italians are extremely southern by temperament, and the north is much more northern by temperament than its latitude would suggest. Marseilles, for instance, is a recognizably southern city, very Mediterranean, but Genoa, or Milan, or Turin, which are near its latitude, are recognizably northern. Indeed, people born and bred in Turin frequently despise the southerners who have turned the residences in the older parts of the city into southern tenements.

Yet, incomprehension in confronting northern attitudes and manners is in a sense the least of the immigrants' problems. It would soon fade if there were adequate schools, housing, transport, justice and social services for the new arrivals. Instead, the cities have had to take on the strain of new indebtedness with totally inadequate legislation. Protest was inevitable. Its growth has been steady, relentless, foreseeable, reaching its highest point so far with the emergence of the Communists in June 1975 as the largest single party in practically all the big cities.

The uniformity of the June result is unusual in Italian affairs. For another distinction, which sets Italy apart from other European countries, is that she has not had a history of consistent political development. She has known two quite different experiences. The first is the wide variety of different types of government carried on simultaneously: the great republics of Venice and Genoa, the highly militarized little Duchy of Piedmont, the southern kingdom, and the direct rule of the Pope, to name a few. Secondly, Italy's great achievements—classical Rome, the communes, the medieval Papacy, the Renaissance—all were immense peaks which came and went without giving much indication of where Italians would go next. The astute

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cultural analyst Guido Piovene spoke of the Renaissance as a splendid cul-de-sac, and that is no bad label for Italy's series of summits achieved. Reluctantly, one must add Fascism. It can be described as one of the heights only in the Latin sense of using the same word for height and depth. But its influence was—and still is—extremely great and is best borne in mind when judging what might happen next in Italy. The country has often been exemplary—a forerunner—for the good and the bad.

The point reached now is far from being a summit. The period of expansion has been too short, too chaotic, too partial in social and geographical terms for there to have been any sense of completeness. It contributed nothing, for instance, to the crucial problem of the increasing gap between the expanding north and the depressed agricultural south. It was a gale that blew over some areas and left others untouched. But a summit could be reached, despite the apparent gravity of Italy's problems, if the best forces in the country have a chance to express themselves. This is really the heart of the Italian dilemma. Most Italians are shrewd enough to know that they have missed many chances and wasted others; that, as a result, their effectiveness has been underestimated; that the strategic importance of their peninsula is such that some of their friends would prefer to see change contained if change means less acquiescence as an ally. In short, the Italians are shrewd enough to know that institutionally and politically the country is quite divided by the effects of social and economic change.

III

By Western standards, Italy has too many political parties. There are seven in the present parliament. Two are large: the Christian Democrats and the Communists together take nearly 70 percent of the vote. All the rest, except for the extreme Right, are essential to the game of finding alliances, because the Christian Democrats, after three decades in power, are not strong enough to govern without support from others. Yet coalitions are notoriously difficult to keep together, especially in Italy, where party leaders frequently suffer chronic divisions in their own parties to which they are quite capable of giving absolute priority. Hence, the number of interests involved in a coalition can be multiplied by the number of factions requiring semi-independent treatment. The Constitution imposes proportional representation, meaning that many parties will, for a time, remain the rule—a not altogether illogical situation given the country's diversity.

The Constitution accepts, by omission, the principle that administrations can fall without any prior indication of what should follow.

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There is nothing comparable to the West German requirement that a government can only be brought down if another is ready to replace it. And Italian practice has nothing in common with the British principle that governments do not fall, they simply go to the country, thus turning the general election into the instrument for choosing the next prime minister. France has solved her problem of instability by accepting a presidential republic.

The Italians have no wish to pay any of these prices. Parliament has five years of life, and all but one has gone its full length despite the rise and fall of governments. Consulting the electorate has in the past been of little help in settling the problem of what sort of government the country should have, because Italians still elect a parliament, not a prime minister or a president, and when they vote they have no idea who will be the next prime minister except to know that he is sure to be a Christian Democrat (unless there is a drastic change next time). The machinery of calling a general election, the campaign itself and its aftermath—all amount to a long process. It was estimated when the government fell in January, admittedly by opponents of a general election, that the whole process added to the summer recess would have left the country without a full-fledged administration for up to six months. Parliament, moreover, is no easy machine to make function. With two houses having equal powers, the system is excessively cumbersome, which accounts for the fact that parliament as such plays remarkably little part in Italian public life.

What happens beneath this constitutional superstructure is best explained by comparison with another country. A left-wing newspaper editor asked me recently: "How is it that Britain, which has not had a corrupt Christian Democratic Party in power for 30 years, does not have the Vatican operating in its midst, or the largest Communist Party in the Western world, has still managed to arrive at the same state of crisis as we Italians?" The comparison is illuminating. Italy after the war concentrated on regaining and rethinking her international position; as a result, the nation became a founding member of the European Economic Community and, with more reservations (a fact which should not be forgotten now), a member of NATO. Within that context, Italians worked with immense vigor on the economic reconstruction of their country, and that economic expansion provided the main drive for the drastic social changes.

The British did not rethink, and probably still have not genuinely reconsidered, their international situation, despite the loss of empire and the entry into Europe. They were unable to find the will to work in any way comparable to that of the Italians. Nor did they have the

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advantages of cheap and abundant labor and the modern renewal of an industry destroyed in the war which made of Italy what *The Economist* described as a capitalist's dream. On the other hand, as soon as the war was over, the British got down to solving the problems of social injustice, schools and local government, and to building the welfare state. The Italians largely ignored these problems, including the need for complete overhaul of civil service; they have paid the price ever since, with ever-greater costs as time passes. And the costs increase as government after government promises reform and social advance without keeping these promises.

The dishonesty of broken promises has been accompanied by other types of dishonesty. Corruption entered early into the Italian postwar system, and has proved a resilient growth. It is favored by the constant need to circumvent the normal administrative processes which are hopelessly inefficient and have deteriorated still more sharply in the last five or six years. However, the last few years have seen one innovation which is undoubtedly an improvement: the airing of corruption in public. Specific charges have been put forward of payments by the multinationals to Italian parties and politicians, particularly by the oil companies, which is not an easy scandal to brush aside—certainly less easy than the CIA payments in the sense that energy policy is crucial to a country which depends on oil imports. Still, there has been no serious attempt to punish the guilty; important public figures have been quite shamelessly protected by the obstacles put in the way of justice, an attitude highly detrimental to what remains of public confidence in the workings of the state.

IV

This raises the question of the role of the parliamentary opposition: why has it been so ineffectual when faced with so obvious an issue as allegations of corruption? And this in itself raises the Communist question since the Communists have been the main opposition party since they left the government in 1947. (Until that time, under the leadership of the late Palmiro Togliatti, they were partners with the Christian Democrats in a series of coalitions.) One of the early explanations frequently given for the incompleteness of Italian democracy was that an opposition party is essential to good government and the Communists could not properly fulfill this function because they were not an acceptable alternative. It has also been argued that, whether Communist or not, the opposition has simply not fulfilled its proper constitutional function, especially in recent years. Thus, the opposition has allowed the Christian Democrats to commit and con-

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ceal all manner of misdemeanors, since the governing party has been free from the salutary fear of what a real opposition might do to criticize such behavior in high places. According to this argument, governments have been reneging on their duty to provide at a minimum good administration, and the opposition has failed to offer the necessary stimulus. This argument would be flawless if Italian politicians in general had been aiming at the system of balances provided by vigorous government and an alert opposition. In fact, they have not.

Broadly speaking, Communist behavior in opposition has developed from an ideological opposition to an attempt at preparing the ground for an understanding with the Christian Democrats, with the aim of forming a broad coalition with them. This idea of the "historic compromise" can be found in Togliatti and others but its real creator is Enrico Berlinguer, who formulated it fully after the fall of Chile's Salvador Allende. Chile was a warning to the Italian Communists that something much broader and less vulnerable was needed as a basis for government than a weak coalition of the Left. Berlinguer saw the answer as a broad coalition including the Catholics.

One eminent Italian politician believes that Berlinguer is also moved by the thought that his dream of autonomy from the Soviet Union (which is widely accepted in Italy as a genuine aim) would be possible only if he has bourgeois allies. In other words, he would have an excellent reason for telling the Russians why he could not do what they asked, a reason which would not exist if he won a small overall majority with the Socialists as allies and could form a popular front. This theory would also explain his insistence that Italy, even with the Communists in government, should not leave NATO until something better has been devised for Italy's security.

A consequence of Berlinguer's policy is that the Italian Communists see as their worst enemy, not the parties opposed to them in parliament, but anti-communism, particularly of an irrational kind. One of Berlinguer's most touching attributes is the irritation he quite clearly feels when distrust of communism, expressed on the basis of its performance elsewhere, seems to him to overcome an observer's powers of objective judgment of the Italian scene.

In Togliatti's case, this search for respectability would probably have been fruitless, since, for all his cleverness, Togliatti brought with him a long career as an international Communist functionary in Stalin's Moscow. Berlinguer has no such difficulties. He looks as if he suffers rather than plots. He looks honest, and this is no small matter, for it is wrong to suppose that corruption arouses no revulsion in Italian minds. Berlinguer's honest look has been, and is, an asset to his

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party. (After the Christian Democrats were defeated in the June elections, they chose as their new party secretary Benigno Zaccagnini, a doctor, ex-partisan, anti-Fascist, a man whose code-name in the Resistance movement was "Thomas More," in short, a person who gives a deeper impression of honesty and integrity than of political acumen.)

Berlinguer has succeeded to a large extent, as far as the Italian public is concerned, in his quest for his party's respectability. Few Italian newspapers treat the Communists, and him in particular, with less than respect. There is plenty of anti-communism, including long analyses of why the Russian grain harvest failed, why the system in Russia does not work and, naturally, protests against the Russian refusal to admit basic human rights. But a public opinion poll published in late October showed Berlinguer far ahead of his nearest rival—the Christian Democrat, Aldo Moro—as the politician felt to merit most confidence. This balance—of respect for his party and himself, with heavy criticism of communism as a system operating elsewhere—is presumably exactly what he wants, but cannot say.

Berlinguer's ability to overcome at least a good deal of the largely emotional anti-communism was naturally in part the reason for the Communist success in June. But that success needs closer examination, because its meaning has been widely misjudged. The Communists made big gains, certainly, but that was not the only issue and, arguably, not the main issue; even Berlinguer himself, in the balcony speech he delivered to his elated supporters on the night the results were made known, urged caution. The Christian Democrats failed to follow this same line—they were shattered by the result. In numerical terms they could point out (and some tried to) that they had lost less than they should have, considering the heavy stink of scandal which hung over the party and the increasing problems which successive governments were incapable of dealing with. But the blow was crippling psychologically.

The shock had come after a series of defeats. The Christian Democrats had misguidedly attempted in May 1974 to repeal by referendum the law by which divorce had been introduced into Italy in December 1970. They failed ignominiously, and this first public defeat marked the end of what had in the past been an unbeatable alliance: that of Christian Democracy with the women voters and the Roman Catholic hierarchy. Many women who had in the past supported the Christian Democrats voted in favor of divorce, and the political machinery of the hierarchy emerged as greatly weakened. Regional elections followed in Sardinia, which showed that the refer-

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endum result was not an isolated incident, and once again the Christian Democrats were jolted.

And then came June 15, 1975, which can now clearly be seen as a landmark in Italy's postwar history. The vote and the reactions to it brought out one of the less credited truths of Italian political life: that the Communist question is not the overriding issue. The main one is the Christian Democratic problem.

The Communists, after all, have been gaining ground with almost complete consistency since the Christian Democrats won their overall majority in 1948. On June 15, however, they went ahead to challenge the Christian Democrats' position as the largest single party in the country. The basis for that challenge was the need for change and the good record which the Communists had established over the years in the regions and other administrations in their hands. In a sense, the result of the election could have been viewed as a liberating step for the Christian Democrats. The new situation freed them—because so large a part of the public had demonstrated themselves free of it—from allowing the residue of irrational anti-communism to limit their own ideological development. Had they spent a fraction of the energies invested over the years in anti-communism on evolving their own ideas and practices, the political picture would have been totally different.

Moreover, the shock of seeing the Christian Democrats themselves so stunned by the June result had a curious consequence: people who in the past would have preferred not to be identified with Christian Democracy now began saying how essential it was for Italian democracy that the party should find the inner strength to renew itself, its leadership, and its standing in the country. Sympathy was due, after all, to a party which was suffering from being too long in power, even if its vices of dishonesty and internal dissension had, in the public mind, gone beyond excuse. There was never a time when more people felt anxious about Christian Democracy than at its worst moment. It had emerged, wounded, from a series of defeats. Then, the fall of the thirty-seventh government, January 7, 1976, brought the worst interregnum to date because the political failure coincided with economic difficulties and a monetary crisis. Like practically every other governmental collapse, it was induced by one of the Prime Minister's allies —the Socialists—and not by the opposition; indeed, the Communists were against bringing down the government, which was a Christian Democrat-Republican coalition, and were said to have had some harsh words to say to the Socialist Secretary for being so rash as to topple an administration in such difficult times.

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V

This informal help from the opposition raises another fundamental question about the functioning of Italian democracy. The number of parties, and so the number of governments, can be explained by the country's variety and hence the Italian refusal to accept a simplification of political life, i.e., the price paid elsewhere for greater stability. But it can be taken even further. Democracy is seen by many Italians as a choral performance. Parties and other groups (the unions come first to mind), which have established a position of power, are seen to have a certain right to contribute toward the formulation of policy. They do not take naturally to the theory of a duet between two sides —one in government, the other out.

This is almost certainly a Catholic inheritance, perhaps even having its roots in Mediterranean Christianity. So much was suggested by the conduct of the prelates attending the Vatican Council: they quarrelled, opposed each other at times quite bitterly, but once they came to voting on a constitution, or a decree or other final document, they did so with overwhelming majorities. A lot has been said for and against the influence of the Catholic Church in Italian public life. Usually this influence is misjudged because it is limited to the Church's sorties into political or near-political issues which have frequently been mistakes. The obvious examples are the total identity of the Vatican and the Italian hierarchy in the postwar years with the Christian Democratic Party, and the use of the Church's national and international organization to find votes. That element is now greatly diminished and cannot now return in its old form.

But this other aspect of the Catholic outlook—that of a full debate followed by consensus—remains and is admirably suited to Italian thinking and skills. It is totally different from the Anglo-Saxon system of two groups, one of which is constantly scrutinizing the political and moral performance of the other. This is really what is behind the Italian unfamiliarity with the two-party system, and it is why many Italians have less difficulty than outside observers in seeing the Communists admitted to a part in political life. The Communists are there, and they are strong. Their power in the regions, in the unions, in cultural life is formidable. Why should they not then have a right to participate?

This approaches the view of parliament as an assembly—one assembly—and not a collection of groups divided into two. At the same time, the Communists have denied themselves the use of their undoubted ability to remove Christian Democratic governments at will. It is

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essential to keep in mind the difference between power, which the Communists have in abundance, and presence in government. This is particularly so when considering the reaction from outside the country. The Milan newspaper *Corriere della Sera,* on February 5, 1976, drew attention to the fact that Italian democracy could no longer remain intact if it attempted a real clash with the Communists. Whatever the truth of the Communist Party's expressions of democratic faith, it was utopian to suppose that its power could be reduced to what it was in 1948. "Foreign governments and banks which could give us substantial loans are not disposed to do so for a government which includes Communists," said the *Corriere.* "Yet perhaps the solution exists, and perhaps the Christian Democrat-Republican coalition was already on the right course. It tacitly enjoyed the tolerance of the Communists, without associating them with the majority in an explicit and formal manner." What is implied here is that the Italians ought to accept reality, and at the same time prevent the Communist question from becoming all-absorbing, and thus not forget too much else in the Italian tradition, including its variety and the experiences of the immediate postwar years.

VI

Some time in the early summer of 1960, I was asked to take an American professor to lunch with Pietro Nenni, then Secretary of the Socialist Party and convinced of the necessity to bring his Party into a coalition with the Christian Democrats after having been for years in close alliance with the Communists. And so, four of us lunched together—Pietro Nenni, Giorgio Borsa, the Milan correspondent of *The Times* of London, Henry Kissinger and myself. In those days, Nenni was still regarded as a dangerous subversive by much of Western diplomatic opinion. The point of the meeting was to give Nenni the opportunity of explaining a somewhat striking career, which had brought him from close alliance with the Communists to impending coalition with the Christian Democrats. Nenni gave what to me was a convincing account of why he had made the mistake, as he saw it, of renewing the unity of action pact with the Communists after the war.

His reasons were that he had expected changes within the Communist movement in a more liberal direction, and they had not come about. And he could not stomach recruiting what he felt to be the worst forces of reaction by the West to stop communism in Italy. It is worth recalling that in the first national elections after the war—those to the Constituent Assembly in 1946—the Socialists were the second largest party in Italy after the Christian Democrats, with the Com-

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munists third. By renewing the alliance, the Socialists inevitably lost the initiative and the consequences are still clear today. They are a party which inhabits a curious limbo of its own, between government and opposition, often recognized as the key party but seldom aware of which way it should turn. Except for a brief period of broad coalitions after the war, the Socialists were condemned to opposition until Nenni led his party into alliance with the Christian Democrats. His reasoning in that conversation is still valid today.

Recalling the coalitions of the immediate postwar years, which included Communists and Socialists, is in no way intended as a plea for their restoration. That is too simple a solution and does not take into account the passage of time among other considerations. If any plea at all is involved, it is simply to accept the variety of the Italian scene which includes a sense of correction implicit in the June election. After that vote, there is no longer any necessity to hold fast to a system which evolved at the height of the cold war nor to take for granted its continued failure to pursue the cause of social justice. In this sense, the results benefited the Communists but had something to offer everyone else as well, just as the result of the referendum on divorce did not simply mean that Italians could obtain divorces in their own country but that the fixed limits of judgment no longer applied. The electorate no longer had to conform to old patterns. Issues, not labels, were becoming of paramount importance. The vote was becoming much more an act of judgment instead of a habit.

After last June the Communists no longer had the advantage of appearing the victims of prejudice. Nor did they have the advantage of ruling mainly in parts of Italy which were by no means the most difficult: they were left with Naples on their hands, with Genoa, with Turin—which probably has the worst problems of unnatural expansion of any city (due to migration from the south and totally insufficient social services)—to say nothing of the regions of Piedmont and Liguria which they added to the three they already had.

The question of prejudice is an important one. Italians are fond of victims. Most Italian men and (for different reasons) many Italian women consider themselves victims. The men have a kind of anti-Mitty complex. Instead of feeling inadequate and so imagining themselves as heroes, they are convinced of their powers and qualities but aware that, the world being unfair and man himself not without blemishes, their qualities go unrecognized because they were born poor or are married to a barely supportable woman. Many of the women, on the other hand, who are usually more alert than the men, have grasped more quickly the meaning of social change and so resent

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the traditional place accorded the woman. That is why a reaction against prejudice, for no immediate, specific reason, often stimulates sympathy for individual Communists, whatever the ideology of the sympathizer.

VII

A victim in another way, but always in the sense of suffering from irrational belittlement, was the Mediterranean region itself. Here, again, a process of correction is in hand. The Italian decision after the war to become a founding partner in the building of a West European community was intended to embody the country's choice of belonging to the Western and Northern world, despite the geographical reality of shores washed only by the Mediterranean. The decision was correct: whatever geography implies, history decreed that Italy should play a much fuller part in European affairs than might be expected of a peninsula pressing into the Mediterranean. In this sense, the European decision was impeccable.

But it was accompanied by a rather more questionable proposition: that the Mediterranean had a bad taste about it, something to be shaken off if Italy was to become modern and integrated into the West. Mussolini's views on *mare nostrum* gave it political questionability, and the democratic answer was La Malfa's cry: "We must scale the Alps." The West was democratic and advanced and would prevent any tendency on the part of the Italians to slip back into southern torpor, or to lose their position of being the one sizable parliamentary democracy functioning in the Mediterranean area—their fate for so many years.

Events have since shown that the new political ideas have come not from Western Europe but from the South. The end of the dictatorships in Greece and Spain and Portugal, the uncertainties surrounding Yugoslavia's future, and the likelihood that Greece and Spain and Portugal will someday become members of the European Community place Italy once more in the center of the most vibrant and problematical political area in Europe. Italians had already prepared some ground (not altogether intentionally) for the future structure of Europe. They had established their system of regional autonomy for the whole country by 1971. They had resolutely refused to show much respect for the national state except as a vague patriotic ideal and were busily transforming parliament into a genuine assembly, by no means an unpromising model for the future shape of Europe. And then, with the shift of attention southward, Italy herself could expect to feel the results of another corrective process.

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Coincidentally, Communist policy had made its own sorties in the area. One of the unexpected results of the June elections was certainly the encouragement to the Italian Communists to pursue more energetically both their European and Mediterranean contacts. There is an obvious connection between the June vote and the joint declaration signed in November by Berlinguer and Georges Marchais, head of the French Communist Party, by which the French party formally accepted—despite its Stalinist predispositions—the Italian party's stated need for pluralism, for an opposition, and for the preservation of such essentials of a democratic society as freedom of expression, freedom of the press and the constitutional path to power. The declaration followed a similar, and less surprising, statement made jointly by the Italian and Spanish Communists. And one of Berlinguer's first stopping places after the June election was Belgrade.

As yet, it is possible only to sketch this communist dimension in the Mediterranean situation. It is still premature to talk of a third bloc in the communist world, homogeneous and looking to Rome rather than to Peking or Moscow. The Spaniards remain exiles. The French Communists are recent converts to the ideas of pluralism and autonomy which the Italians profess. The Italian Communists themselves are careful in their judgment of the French Party's national congress in February which formally did away with the dogma of the dictatorship of the proletariat; they feel it was crudely done by comparison with their own more sophisticated standards, that the French still have far to go, but that a substantial move was made. The Yugoslavs are by no means new to the concept of autonomy but undoubtedly have mixed feelings about any radical changes in the Italian political scene if this were to mean an upset in the regional balance of power. In fact, the Italian Communists have had to assure them that the entry of the Italian Party into government would not alter the situation in terms of security, which is another reason why the Italian Communists insist that they would want Italy to stay in NATO if they came into government. It is, as they have said, essentially a defensive alliance with the clear implication that they might themselves want to be able to rely on it as such. The Italian position itself is in every sense central to the issue, although to a great extent its role cannot be clearly understood in advance of events.

VIII

For both Communists and Christian Democrats, however, the Italian internal situation may be forcing the pace. That was another of the indications provided by the June election, and by the failure so far

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of the Christian Democrats to rethink and reinvigorate their own party. In the words of Fiat's chairman Giovanni Agnelli, speaking as Chairman of the Confederation of Industry, Italian industrialists were faced with a problem of faith—faith in the Catholic party's power of renewal or faith in the Communist Party's powers of revision. The fact that the Socialists brought down Aldo Moro's coalition this January, asserting that they wanted a new government with a formal link with the Communists, showed clearly enough that such a request was, to say the least, premature. The Christian Democratic Party as a whole could not accept it, and the Communists made clear that they did not want to hear of it. Yet the Socialist move was seen to have brought an understanding between Communists and Christian Democrats nearer, if only because both were impatient with the Socialists.

Moro finally formed a new government (his fifth) which effectively dashed any hope that his party could react promptly to the demands of an increasingly difficult situation. Negotiations for putting it together lasted from January 7 to February 11, a period which included not only the solemn and seemingly abstract consultations among party leaders, but also a run on the lira and fresh outbreaks of public quarreling by Christian Democratic leaders. The outcome of this strange mixture of events was a minority administration, drawn solely from Christian Democrats, which was regarded as one of Italy's weakest governments because it was based on nothing better than promises of abstentions from two of the traditional allies of the Christian Democrats (the Socialists and the Republicans) and showed no apparent awareness of the now urgent need for replacing the old, familiar faces with younger, fresher and untarnished personalities.

If it is true that Berlinguer's dream is genuine autonomy from the Soviet Union, the reality is that his own country's difficulties are one of his biggest obstacles. An eminent non-Communist politician remarked in private that for the moment it is in everybody's interests to allow Berlinguer the time to make his autonomy effective, and the best way to help is to see that he is not yet involved in government. This person's estimate was that all sides required another five years. By then, the international scene would be clearer. What, for instance, would happen in Yugoslavia after Tito's death? Is the thesis (based on the presence of a powerful Soviet squadron in the Mediterranean) correct that the Russians are, ironically enough, coming nearer to Italy just as the Italian Communists are trying to put more space between themselves and the Soviets?

Two other facets of Berlinguer's policy accord with this way of thinking: his insistence that Italy should remain in NATO, even with

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the Communists in government, and his choice of an alliance with the Christian Democrats, not with the Socialists. He explains the NATO decision on the grounds that unilateral moves which shift the balance of power upset détente. It is also argued that Italy will require security with or without the Communists in government, and Yugoslavia has been comfortable all these years with a geographically close NATO presence. The choice of the Christian Democrats as prospective allies is—by the same argument—logical because a Marxist front would depend on little more than half the vote, would split the country and be vulnerable to the animosity of the West as well as to pressures from the Soviet Union.

Although some people still doubt Berlinguer's good faith in attempting to seek autonomy, few in Italy do. The main area of doubt detected in Italy is whether he would be able to do what he says he wants to do. Although the idea of the "compromise," as a formal alliance between Catholics and Communists, certainly does not appear immediate, communism has played a consistently larger part in Italian affairs and is now, on a broad balance, sharing power in most aspects of public life with Christian Democracy.

IX

Finally, it is important to assess where Italy is going on a level transcending the political groups. Since the war, the country has lived through several centuries. Italy awoke from her "capitalist's dream" in about 1968 and 1969 when student riots and strikes marked the end of acceptance by workers in the northern factories (many of them southerners) of the living and working conditions which a lack of planning had imposed. It was at that time that the unions took over a semi-policymaking role, calling strikes for housing, for transport, for social facilities in general instead of limiting themselves to pay and working conditions. The old society scarcely exists any more, but neither does a new one, because the upheaval of change, and the quite sudden refusal to continue to produce on the old terms, left confusion.

Somehow, the whole conglomeration of regionalism, Catholicism (in its many forms), communism, the strongly increased demand for civil rights must come together to produce a completely new outlook. It is a lot to ask of a country which has already proved to be the most stimulating workshop of ideas in Europe since the war. It is a lot to ask when the country is suffering her worst political crisis since the war and at a time when recession makes the fragility of the economic system so clear. But it is Italy's historical destiny to be at the eye of the cyclone, a fate deserving the fullest understanding.

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WHO WILL OWN THE OCEANS?

By John Temple Swing

NOT quite a decade ago, Arvid Pardo, Maltese delegate to the United Nations, startled much of the international community with his proposal that the United Nations declare the seabed and ocean floor "underlying the seas beyond the limits of present national jurisdiction" to be "the common heritage of mankind," and not subject to appropriation by any nation for its sole use. In the face of a steady increase of unilateral seaward encroachments by nation-states, Pardo's call-to-arms launched the international community as a late entry in the race for control of the oceans and their vast resources, a race between "the good of one" (the nation-state acting in its own selfish interests) and "the common good." To achieve the latter, he urged the United Nations to create a new kind of international agency to assume jurisdiction, as a trustee for all countries, over the seabed and to supervise exploitation of its resources—with the net financial benefits, which he hoped would be considerable, to be used primarily to promote the development of poor countries.[1]

Although Pardo's essentially internationalist approach was heralded by many as an idea whose time had come, and provided the initial impetus for the convening, in 1973, of the Third United Nations Conference on the Law of the Sea, it is by no means sure today who the winners in the race will be. Before turning our attention to how it stands, as the United Nations Conference reconvenes in New York, it is important to review how we got where we are today.

II

For most of recorded history there have been only two uses of the oceans that mattered: fishing and navigation. At a time when fishermen and most ships stayed close to the shoreline, the oceans and the supply of living resources beneath them seemed truly inexhaustible. Only with the advent of worldwide exploration in the sixteenth century and the flurry of colonial claims that followed did attention begin to be paid to the need for resolution of two conflicting philosophies of ocean use: national ownership (implicit in Spanish and Portuguese claims to the Gulf of Mexico and the entire Atlantic Ocean) and freedom of movement (important to the great trading companies such as The Dutch East India Company). Given the in-

[1] *Note verbale* to Secretary-General U Thant, United Nations General Assembly Doc. A/6695, 22nd Session, August 18, 1967.

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ability of any nation to enforce claims of ownership to whole oceans and the need for all the colonial powers to have free access to their overseas territories, it is perhaps not surprising that freedom of movement, as propounded in the writings of the Dutch jurist, Hugo Grotius, won out, and became the accepted starting point of modern ocean law.

Certainly what Grotius said at the time made good economic, as well as philosophic, sense: "The sea, since it is as incapable of being seized as the air, cannot have been attached to the possessions of any particular nation."[2] In a word, there was plenty of ocean (and fish) for all. Interestingly enough, however, Grotius's philosophy of "freedom of the seas" also involved the concept of common ownership, *res communis,* an idea surely closely akin in principle to Pardo's "common heritage," enunciated three and one-half centuries later.

As customary law developed over the next three centuries, "freedom of the seas" came to mean that, except within an area extending three miles from the shoreline (the distance an eighteenth-century cannon could reach)—which came to be the "territorial sea" of the coastal power—the rest of the oceans were high seas, free, as a matter of law, to all except pirates. Even within the "territorial sea," vessels of other countries were recognized as having a right or privilege of passage provided they complied with the requirements of what came to be called "innocent passage" (passage "not prejudicial to the peace, good order or security of the coastal state"). Then with the steady increase in ocean commerce in the nineteenth century, freedom of the seas also came to be qualified by the concept of "reasonable use," basically respect for the rights of others.

But it was only in the twentieth century, with its discoveries of important resources and a sharp rise in all ocean uses generally, that accepted principles began to be eroded rapidly. Customary law, dependent on slow incremental growth, no longer could move fast enough to provide generally acceptable solutions to new problems. Traditional uses multiplied—the world harvest of fish grew from 16 million tons in 1950 to 69 million tons in 1974, merchant tonnage in the same period from 76 to 306 million gross registered tons. But in a very real sense the modern era in the political history of the oceans began with the discovery, prior to the end of World War II, of oil under the continental shelf off the coast of the United States.

In order to understand the political developments which have followed thereon, it is well to have in mind the geologic structure of

[2] *Mare Liberum,* 1605, trans. Ralph Van Deman Magoffin, London: Oxford University Press, 1916.

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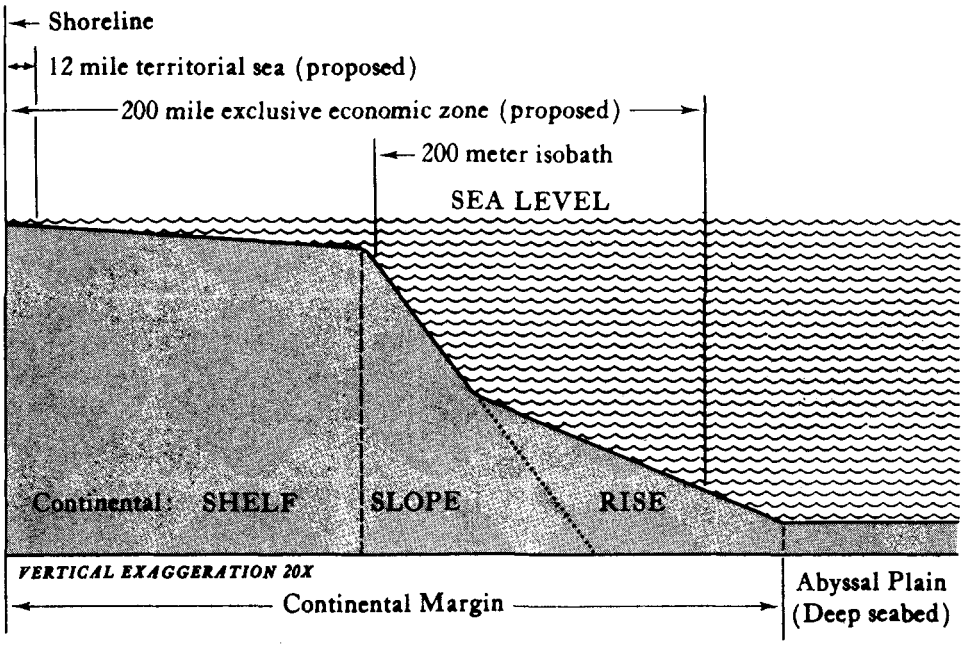
THE CONTINENTAL MARGIN IN DIAGRAMMATIC PROFILE AND PROPOSED JURISDICTIONAL ZONES



NOTE: Australia, Brazil, Canada, India, Japan, Mexico, New Zealand, Norway, U.K., U.S.S.R., U.S. and 37 other coastal states have continental margins that extend beyond 200 miles. The remaining 120 coastal states do not.

the area. To outline it briefly: the *continental shelf* is that area of the underwater continental land mass lying immediately adjacent to the shoreline and generally extending out for a distance that can be as little as two and as much as 600 miles wide, with an average gradient of less than one-tenth of a degree, and the outer edge of which is usually found at a depth of between 130 and 200 meters. This continental shelf, together with a steeper area lying adjacent to it known as the *continental slope* (often as narrow as 20 miles in width and likely to drop at its outer edge to a depth of between 2,000 and 2,500 meters) and the *continental rise* (an area largely composed of continental sediment that has been transported down the slope through the ages and which merges gradually with the true ocean bottom known as the *abyssal plain*), make up the so-called *continental margin*. It is within the margin, as thus defined, that virtually all of the ocean's nonliving organic resources are thought to lie—oil and gas deposits of major significance. On the abyssal plain beyond that are inorganic manganese nodules, the commercial

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importance of which has come to the fore only within the past decade. Most recently, it has been these small burnt-baked-potato-like objects, containing manganese, nickel, copper and cobalt, that have intensified the conflict over the uses of the world's oceans.

In 1945, however, it was the growing realization of the likely future importance of offshore oil to the United States which led to the first significant assertion of a national right in an area that had previously been considered international. In a unilateral proclamation of September 28, 1945, President Truman reserved to the United States the exclusive right to explore and exploit the mineral resources of its continental shelf, beyond the territorial sea.

Other unilateral declarations soon followed. Chile, Ecuador and Peru, notably, claimed seaward extensions of national jurisdiction to 200 miles. While these countries had only narrow continental margins with little likelihood of recoverable oil and gas deposits, their claims encompassed fishing grounds important to distant water fishermen from other countries, giving rise to international conflicts, including seizures of the U.S. tuna fleet, that have continued up to the present day.

The need to reconcile these and other newly asserted rights with existing international law led to the convening of the First United Nations Conference on the Law of the Sea in 1958. Four conventions were adopted: one (while failing to agree on a common distance) set a 12-mile maximum limit on the territorial sea; a second, on the "high seas," codified freedom of navigation, fishing, overflight and the laying of submarine cables and pipelines; a third, on fisheries, among other things permitted coastal states to regulate fisheries around their shores, even beyond a 12-mile limit; and a fourth provided for national exploration and exploitation of continental-shelf resources. This last convention contained a definition as important in its own right as the Truman proclamation which preceded it or the Pardo declaration which followed. In attempting to set an outer limit to the area in which nations could explore for mineral resources, it provided that states were to have sovereign rights to:

> the seabed and subsoil of the submarine areas adjacent to the coast but outside of the territorial sea, to a depth of 200 meters or, beyond that limit, *to where the depth of the superjacent waters admits of the exploitation of the natural resources of the said areas* [emphasis added].

At the time few seriously contemplated that oil beyond 200 meters would ever be commercially retrievable. But that phrase provided a legal basis for nationalistic claims to the entirety of continental

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margins—margins that, in some cases (notably Australia, Brazil, Canada, India, Japan, Mexico, New Zealand, Norway, the United States and the U.S.S.R.), extend well beyond 200 miles from the coastline.

Important as these 1958 conventions were, they were not all-inclusive; they were never generally accepted by all nations; and in some cases they were outmoded almost by the time they were written. In 1960 the Second United Nations Conference on the Law of the Sea tried but again failed to establish universal agreement on the width of the territorial sea. And the march of new claims went on.

Between 1967, when Pardo spoke out, and 1973, the year of the formal opening of the Third United Nations Conference, the speed and frequency with which nations asserted unilateral claims into ocean space were almost dazzling, perhaps symptomatic of a recrudescence of nationalism generally throughout the world. During that period no less than 81 states asserted over 230 new jurisdictional claims of varying degrees of importance. Some, like Iceland's move to a 50-mile exclusive fishing zone (precipitating the first of the now famous "Cod Wars"), Brazil's assertion of a 200-mile territorial sea, and Canada's establishment of a 100-mile pollution control zone, precipitated immediate controversies with other states, whose conflicting ocean uses were thereby jeopardized.

However, certain general patterns did emerge. By the beginning of the Caracas session of the United Nations Conference in 1974, there was already a well-established trend toward an assumption that the territorial sea would have a breadth of 12 miles, that beyond it and out to 200 miles there would be an "economic zone" largely controlled by the coastal state, and that the area of common heritage would begin only at 200 miles, or possibly even beyond in the case of states with continental margins broader than that.

In that short space of time, much to his disgust, Arvid Pardo's common heritage had shrunk to 65 percent of ocean space. The remaining 35 percent—claimed in one way or another by the coastal states—now appears likely to contain virtually all oil and gas resources, 95 percent of the harvestable living resources, and even perhaps a significant proportion of the most highly politicized mineral resource, the so-called manganese nodules.

III

The Third United Nations Conference on the Law of the Sea is the largest international conference ever held. At its first substantive session in Caracas, there were over 2,000 delegates representing 143

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jurisdictional entities, many of them relatively new countries with no prior experience in dealing with ocean issues, addressing an agenda of over 100 items that had to be disposed of if the Conference was to succeed in formulating a universally accepted body of law providing for the orderly growth of all ocean uses. To undertake its work the Conference divided itself into three separate formal negotiating groups: Committee I has dealt with the common heritage and the new international regime to be created; Committee II has focused on the territorial sea, the 200-mile zone and the high seas, involving itself with the status of islands, archipelagoes, fishing, navigation and related issues; Committee III has concentrated on scientific research and environmental issues.

Unlike the First Law of the Sea Conference, at which negotiators began with a single negotiating text prepared in advance by the International Law Commission, it was only by the end of the second substantive session held in Geneva in the spring of 1975 that the three principal conference committee chairmen were able to reduce a wide variety of differing proposals into one three-part Informal Single Negotiating Text.[3] The president of the Conference, in July 1975, added a separate text on Settlement of Disputes, drawing heavily on the work of a small but relatively effective informal working group that met both in Caracas and in Geneva.[4] These texts have not yet in themselves been the subject of comprehensive negotiation—hence responses and salient issues can be predicted only generally.

The politics of the Conference are complex. In relation to the oceans, no two nations are alike—but all have a stake. Geography and material interest may cut across factors that otherwise might be important. Thus, from the first this Conference has been dominated by two basic and contradictory cleavages. One, with strong ideological overtones, tends to pit the developed countries against the poor nations of the world. Since the first UNCTAD conference in 1964, the latter have generally banded together in a loose yet formidable political alliance which, although its membership is now more than 100 nations, is still called the "Group of 77." At the Law of the Sea Conference, both the philosophy and goals of the Group of 77 have been most clearly expressed in the debate over exploitation of mineral resources

[3] *United Nations Third Conference on the Law of the Sea Informal Single Negotiating Text* (A/CONF.62/WP.8), Parts I, II and III, May 7, 1975. For a comprehensive analysis of the single negotiating text, see John R. Stevenson and Bernard H. Oxman, "The Third United Nations Conference of the Law of the Sea: The 1975 Geneva Session," *The American Journal of International Law*, October 1975.

[4] *United Nations Third Conference on the Law of the Sea Informal Single Negotiating Text (Settlement of Disputes*—A/CONF.62/WP.9), Part IV, July 21, 1975.

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of the deep seabed—the common heritage area.

The second basic cleavage has its roots in the hard realities of ocean geography and existing political boundaries. Some countries, both developed and developing, have long coastlines and broad margins while others are totally landlocked. That this second cleavage is no respecter of the ideological differences implicit in the first can be seen from the following anomaly: if, as expected, the conference adopts a 200-mile economic zone, of the 35 percent of total ocean space within the zone, almost one-third (including 50 percent of the area holding the most promise geologically for the discovery of underwater oil) will belong to the ten states already named, seven of which are developed: Australia, Canada, Japan, New Zealand, Norway, the Soviet Union and the United States.

It was this second cleavage that led the geographically disadvantaged countries at Geneva in 1975 to take an increasingly independent stand without regard to whether they were developing or developed.[5] Geographically disadvantaged countries within the Group of 77, in particular, have questioned whether their interests in the 200-mile economic zone have been adequately protected in proposals put forward at the insistence of strongly nationalistic coastal states, whose ideological leadership has previously tended to dominate the Group. Quite possibly the ultimate success or failure of the conference will depend on which of the two cleavages—one ideological and one realistic—proves to be the deeper.

Against this background we can now turn to a detailed discussion of the major issues before the conference, keeping in mind the probable acceptance of: (1) a 12-mile territorial sea; (2) an "exclusive economic zone" extending 188 miles beyond that; and (3) the area beyond 200 miles, divided into its waters, which are likely to remain as "high seas," and the seabed and its resources (the "common heritage of mankind"), which will be subject to the jurisdiction and control of "the international regime to be established."

IV

One of the principal issues before the Conference, given the framework just mentioned, is how to handle the management of navigation. One of the effects of agreement on a 12-mile territorial sea will be to include in the territorial waters of the adjacent coastal states some

[5] Thirty landlocked countries, ranging from Austria, in the developed world, to Zambia in the Group of 77, have no economic zones at all, and an additional 20, such as Belgium, Singapore and Zaïre, have only limited zones. Under conference rules, these "geographically disadvantaged" states together have a blocking third of the votes at the Conference.

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116 straits heretofore recognized as international waterways (including the Straits of Dover, Gibraltar, Hormuz at the mouth of the Persian Gulf, and Malacca). Unless the Conference agrees to the contrary, international passage through such straits would then be subject to the traditional restrictions of "innocent passage."

The United States and the Soviet Union, and to a lesser extent the other developed countries with substantial merchant fleets if not navies, have insisted that in these new cases there should be a "right of transit passage, which shall not be impeded" (Single Negotiating Text, Part II, Article 38)—a new term of art implying considerably more freedom than would be possible under "innocent passage," although not the total freedom traditional on the high seas. At issue is not only the free passage of merchant vessels and warships, including submarines which in innocent passage must navigate on the surface, but also the unrestricted overflight of aircraft, a right that could become increasingly important if the American experience in resupplying Israel during the 1973 war (by overflights through the Straits of Gibraltar) is any indication.

As of now, it appears likely that most of the developing nations, even some of the more outspoken members of the Group of 77, will acquiesce in this new concept of "unimpeded transit"—in return for concessions from the developed world on other questions. Similarly, they seem likely to accept the parallel insistence of the major navigating countries that, in the economic zone, there should continue to be full "high seas" freedom of navigation for military vessels operating on the surface, or underwater, and for aircraft overflying the zone.

A troublesome issue remains to be worked out, however, between freedom of navigation, on the one hand, and protection of the marine environment, on the other. To the extent that nations, large and small, are dependent on freedom of merchant shipping to maintain their economic well-being, they are bound to be wary of controls established by other nations that could impose arbitrary limits, particularly on merchant traffic, even in the name of controlling pollution. On the other hand, the straits states, and to a lesser extent the coastal states with economic zones, have every reason to fear damage to their marine environment, and thus a legitimate interest in protecting themselves against it. The straits states will also continue to argue for more stringent provisions including one compensating them for damage caused by ships in transit, such as that resulting from the recent grounding in the Straits of Malacca of a tanker on its way from the Middle East to Japan. Given the growing realization by most states of their dependence on ocean commerce for their economic

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well-being, the final text is not likely to permit straits states to adopt more stringent standards than those resulting from international negotiation.

V

Turning from navigation to development and control of the ocean's nonliving resources, oil is a first priority. The reason is clear: although the temperature level of the discussions concerning oil seldom reaches the high intensity of those involving deep-sea ocean mining for manganese nodules, oil is by all odds the most important economic resource beneath the sea.

Of the approximately 20 billion barrels of oil produced all over the world in 1974, 20 percent came from offshore production, and this percentage is expected to double within the next few years. Of the more than 2,500 billion barrels of oil estimated to lie beneath the sea, the National Petroleum Council has estimated that 30 to 45 percent lies in those portions of the continental margin beyond depths of 200 meters.

One of the ironies of the Law of the Sea negotiations is that, as already noted, leadership within the Group of 77 has tended to reside in coastal states which have led the myopic nationalistic dash for as much control as possible within the proposed 200-mile economic zone, at the expense not only of their geographically disadvantaged neighbors in the Group of 77, but even of their own self-interest. One hears very little discussion about how much oil a very few developed countries with long coastlines and broad margins (Australia, Canada, the U.S.S.R. and the United States being the most important) will obtain as a result of the Conference.

In retrospect, it can be argued that the world in general would have been much better off to accept the U.S. proposal to the U.N. Seabed Committee in 1970, that beyond a depth of 200 meters and to the outer edge of the continental margin there should be an area known as a "trusteeship zone" administered by the coastal state both for itself and for the international community, with royalties to be paid into a new international fund. Although understandably opposed by other broad-margin states, which believed that the seabed resources of the continental margins were already vested in them by virtue of the 1958 continental shelf convention, the proposal was also rejected by the developing world, in no small part because it embodied the concept of "trusteeship," ideologically an anathema because of its "colonial" connotations.

Although the proposal, which appears to have been both generous

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and farsighted from an international perspective, was never formally withdrawn and should still be of special interest to the geographically disadvantaged states, the United States, mindful of its increasing energy requirements, has quietly abandoned it. There now seems little likelihood that it can or will be revived.[6]

Today the treaty seems almost certain to give coastal states "sovereign" rights to natural resources within their 200-mile economic zones. To this extent, the broad-margin states' interpretation of the key language from the 1958 convention appears to have won out. Because of opposition to a recognition of seabed margin rights beyond 200 miles, particularly on the part of African states, however, Article 69 in the Single Negotiating Text proposes "contributions in kind from the results of exploitation of oil and gas deposits that may be found within the continental margin of the coastal state but beyond the 200-mile limit," a concept reminiscent of the earlier U.S. proposal. However, from an economic point of view, the development of oil and gas resources in the outer continental margin is years, if not decades, away.

VI

It is over questions relating to the exploitation of the hard mineral resources of the deep ocean bed, lying within the "common heritage of mankind," that the ideological cleavage really asserts itself. On one side are those countries that have, or soon will have, the necessary technology to exploit deep-seabed resources, including the United States, Great Britain, Japan, Germany, France, Belgium and the U.S.S.R. The clear preference of this group is for a carefully circumscribed "Authority," with what are deemed to be the essential protections for producers—right of access, security of tenure, and sanctity of contract—written into its constitution in order to justify the massive investments that will be required for full-scale production.

On the other side, the Group of 77, which for the most part had its way in the Single Negotiating Text for Committee I, wants a strong Authority with the right, as presently provided in the text, to exploit the seabed itself. The Authority would have not only a monopoly over exploitation but effective control of marketing and production as well, so that the prices and markets of present land-based producers among the Group of 77 would not be adversely affected.

In the opinion of most observers, unless there is substantial give on

[6] For an excellent analysis of how the United States, for internal bureaucratic reasons, arrived at this and other ocean positions, see Ann Hollick, "Seabeds Make Strange Politics," *Foreign Policy*, Winter 1972–73, pp. 148–70.

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both sides on Committee I issues, the entire Conference is likely to end in failure. Three principal problems on which compromise must be found are: (1) the provision of adequate protection for land-based mineral producers from the possibly harmful economic consequences of sea-bed exploitation on their prices and markets; (2) the system of exploitation itself (who can exploit, under what conditions, what areas of the ocean bottom); and (3) the composition and powers of the main organs of a new Authority that is clearly going to be something considerably more than just the licensing agency that the United States had originally proposed.

Where might the avenues of compromise lie? As to economic consequences, painful as the thought may be to exponents of the traditional free enterprise philosophy, the answer may lie in commodity arrangements for the various classes of resources found on the deep seabed. The Authority could be given power to participate in the negotiations leading toward such agreements as well as in the agreements themselves. In the interim, or barring such commodity arrangements, the developing countries may insist that the Authority be empowered to set maximum production quotas each year in order to protect land-based producers. As to who may exploit the area, the most viable solution probably lies in the creation of two parallel and equal systems: one consisting of direct exploitation by the enterprise organ of the Authority, the second permitting joint ventures or other forms of contractual arrangements between the Authority and state parties, state enterprises and private corporations. Of these two compromises, the first would require some movement in the official U.S. position; the second, movement on the part of the Group of 77 since the second proposal is substantially the "banking system" already proposed at Geneva by the United States but rejected by the Group of 77.

Turning to the constitutional issues in structuring the Authority, perhaps the two most critical involve the likely composition (and thus the effective voting control) of the planned 36-member Council that will supervise exploitation, and the extent to which the Council's decisions can be controlled or overridden by the plenary Assembly, the "supreme policy-making organ of the Authority," in which every signatory to the treaty will have one vote. As to the composition of the Council itself, the area of compromise would seem to lie in the proper balance of two criteria: the first based on the principle of equitable geographical distribution and the second on the principle of special interest. If the arithmetic of this balance can be struck so as to provide the developing countries with slightly less than an effective majority of seats, while allocating enough seats to the industrialized countries

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to enable them to block decisions in the Council, a way out of the present impasse might be found. This would require the developing countries to negotiate with other groups. One thing seems clear: neither the Group of 77 nor the United States and the other developed countries are likely to go along with a treaty that gives the other grouping de facto control of the International Seabed Authority.

VII

Although less contentious than deep-sea mining, the problems of the world's fisheries are among the most complex and also perhaps the furthest from rational solution of any set of issues now under consideration. The plain fact is that for fisheries an "exclusive economic zone" out to a 200-mile limit flies in the face of both economic and biologic reality. Schools of fish will, in any case, continue to roam where they will in search of food, influenced by factors such as the warmth of ocean currents and the density of plankton fields that have little if anything to do with national sovereignty or the arbitrary imposition of geographical zones.

While fishing is more important to countries like Japan (where one-half of all protein intake is harvested from the oceans), no country better demonstrates the dilemmas of arriving at a rational policy than the divergent fisheries interests within the United States itself.

American coastal fishermen, less efficient than their foreign competitors, are strong adherents of a fisheries zone—whether achieved by domestic legislation or by international treaty—that will provide them with preferential rights within 200 miles of the American shore. Unfortunately for policymakers, the interests of other U.S. fishermen, most particularly of tuna and shrimp but also of salmon, run almost directly counter. The American tuna-fishing fleet, one of the most efficient in the world, depends on access to wide-ranging tuna schools frequently found within 200 miles of the shores of other countries. Shrimp fishers, who account for almost 25 percent of the total U.S. catch in terms of dollar value, are also dependent on grounds within the 200-mile limits of Mexico, Guyana and Brazil.

U.S. salmon fishers have yet another problem. While considerable capital investment is involved in the maintenance of the rivers and streams in which salmon spawn, much of the adult life of the salmon is spent roaming the North Pacific Ocean before returning to its river of origin. Hence, salmon fishers favor the limitation of the salmon catch in the high seas beyond 200 miles as well as in the proposed 200-mile economic zone; only in this way can enough salmon be assured of returning to the near-coastal areas where the most economic harvest

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can take place, while still permitting an adequate number to return upstream to permit regeneration of the species.

With these divergent fishing interests, the United States has generally gone along with the worldwide trend toward a 200-mile exclusive economic zone insofar as it affects coastal fisheries. At the same time Washington has urged that the taking of salmon (and similar anadromous species that migrate up rivers from the sea to breed in fresh water) be regulated by the country of origin. Finally, it is the U.S. position that highly migratory species (with tuna as the foremost U.S. interest) should be controlled by international or, at the very least, regional commissions in which the United States would have substantial leverage.

The parallel negotiation of these three American areas of interest would in any event be a complex process. It may have been made somewhat more difficult by the recent action of the Congress in responding to the pleas of coastal fishermen and adopting legislation that would assert unilaterally an American right to control all fishing within a 200-mile zone. The plight of these coastal fishermen is serious; they can legitimately point to the substantial depletion of stocks such as haddock and flounder over the past decade, particularly by intensive Soviet and Japanese activity off American coasts.

Yet, if the 200-mile bill is signed into law—even though its effective date may be delayed, as the Senate has now provided, until mid-1977, and even though the international negotiations are apparently leading to exactly the same basic principles—the practical effect will probably be to weaken American bargaining leverage in other areas. Specifically, the United States may be less able to strengthen the presently inadequate provisions relating to regional cooperation for tuna. And adoption of an immediate U.S. 200-mile zone could upset the continued acceptance of the detailed—and for the United States relatively satisfactory—provisions for anadromous stocks that have already been the subject of painstaking negotiations.

Most seriously, U.S. adoption of the 200-mile zone will almost surely strengthen the hand of those states which want not only preferential fishing rights for coastal states but virtual sovereignty over all activities in the exclusive economic zone. From the standpoint of overall U.S. interest, as well as a more sensible international regime, the United States should be seeking to expand rather than contract the principle of optimum utilization of fish species within the 200-mile area, thus permitting other nations more reasonable rights of access to fish for stocks that are beyond the harvesting capacity of the coastal state. For the same reason, non-fish interests in the zone, including

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freedom of scientific research and even freedom of navigation itself, could be jeopardized.

VIII

Since the *Torrey Canyon* incident in 1967, protection of the marine environment has become a dramatic and vital concern of all nations in the world. The sharp increase of vessel-source pollution, whether stemming from intentional discharges or from unintentional oil spills, can best be understood by realizing that 25 years ago few if any cargo ships or tankers weighed more than 25,000 deadweight tons. By 1974, 508 of the world's tankers exceeded 200,000 tons and two were in the half-million-ton range.[7]

Unfortunately, much of the problem of marine pollution is beyond the scope of the Law of the Sea negotiations. Dramatic as the instances of vessel-source pollution have been, it remains true that four-fifths of all ocean pollution comes from land-based sources, not from ships. The best the Law of the Sea Conference can do is adopt the general principles set forth in the Single Negotiating Text, which ask nation-states to establish laws, coordinate policies and cooperate in establishing global rules and standards that will lead to a reduction of land-based pollution.[8]

As to vessel-source pollution, particularly that caused by oil, the problem, of course, is to strike the proper balance between the undeniable need of the world's oil-consuming countries (99 percent of Japanese petroleum is imported by ship) and the equally obvious need to protect the marine environment against possibly permanent damage. Since everyone, in principle, is in favor of the latter, the question tends to revolve around who should set the standards, who should enforce them and in what areas. Those states with a high interest in international commerce argue against coastal-state standard-setting. They prefer standards established by international agreement with enforcement left in the hands of the flag states for individual ships, coupled in some cases with recognition that port states may set and enforce higher standards for vessels voluntarily using their ports. Canada and other countries argue, with some merit, that international standard-setting—for the past 20 years the prerogative of the Intergovernmental Maritime Consultative Organization (IMCO)—has been too little and too late. IMCO, in which the maritime nations have a major voice, did in 1973 recommend a broad spectrum of new

[7] Noël Mostert's *Supership* (Knopf, 1974) provides a fascinating account of life aboard a tanker in the 200,000-ton range and of the problems inherent in large tanker operation.

[8] Single Negotiating Text, Part III, Article 16.

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regulations (still to be ratified by the requisite number of member-states). These rules prohibit, for example, oil discharges by ships within 50 miles of the coast and set standards for vessel design, construction, equipment and manning. Enforcement is the problem, of course, since, even if they were able to, the countries harboring flags of convenience—notably Panama and Liberia—have not yet evidenced much desire to enforce even minimum standards.

It was this problem more than any other that led Canada, with only a small merchant fleet of its own and a large portion of its coastline situated in the Arctic areas (where oil spills are vastly more dangerous), to adopt on its own in 1970 legislation establishing a pollution control zone 100 miles from its coastline. While sympathetic with the objectives of the Canadians, major maritime nations, in particular the United States, fear that setting unilateral standards will lead not only to a proliferation of differing standards, but to arbitrary or discriminatory practices on the part of some states that could seriously hamper international commerce.

At present, the Single Negotiating Text tends to favor the maritime nation approach: it calls for international standard-setting (primarily by IMCO) with reliance for enforcement primarily on the flag state and with only supplemental enforcement rights accorded to the port state over vessels voluntarily in their ports and to coastal states over vessels within their territorial seas. In areas of severe climatic conditions or in areas where pollution is likely to be particularly damaging, coastal states are, however, permitted to establish special "nondiscriminatory laws and regulations for the protection of the marine environment."[9] While the Committee III Single Negotiating Text, Part III, Article 20 (3.) does contemplate that coastal-states can enact "more effective" pollution control laws and regulations in respect to their territorial seas, provided that they shall not hamper "innocent passage," it is doubtful that the Text as a whole goes far enough to satisfy environmentalists in the United States who look to the national enactment of stringent pollution control measures as the best hope for salvation of the marine environment.

IX

A catalog of ocean issues would be incomplete without reference to the problem of scientific research. This is an issue of particular importance to the Soviets and the Americans who, for military, economic, and pure scientific purposes, have been deeply involved in the conduct of scientific research over the past decades. The principle of

[9] Single Negotiating Text, Part III, Article 20(5).

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"freedom of scientific research," like the principle of full utilization of fish species, runs directly counter to the already noted strong drive for national sovereignty in the 200-mile zone by the more militant countries of the developing world. Some of these countries suspect that oceanography is nothing more than the handmaiden of military domination and industrial exploitation. In the Law of the Sea negotiations, the question has boiled down to whether, within the 200-mile exclusive economic zone, research can be conducted only with the consent of the coastal nation (as presently provided by the Committee II Single Negotiating Text) or whether, as proposed by the United States, no consent should be required, provided that the researching nation gives advance notice to, permits participation by, and shares the fruits of its research with the coastal state in whose waters the research is undertaken.

Although otherwise in favor of freedom of scientific research, the Soviet Union has joined the developing world to the extent of proposing that coastal state consent be required for research "related to the exploration and exploitation of living and nonliving resources" in the 200-mile zone.[10] The Committee III Single Negotiating Text attempts to strike some sort of a balance between these two views by distinguishing between research "of a fundamental nature" and research "related to the resources of the economic zone or continental shelf."[11] In the case of the latter, coastal state consent is required.

Even if the dubious distinction between "fundamental" and "resource related" research is accepted, the revised text will put fetters on, rather than promote, scientific research. Such research clearly will be necessary if development of oceanic food potential is to be continued, for example. Pioneering work such as that undertaken by Soviet oceanographers which led to the extraction of protein from the almost unlimited schools of the planktonic krill found in the Antarctic Ocean could be seriously set back under the proposed agreement.

X

One of the few initially encouraging trends that developed in the Law of the Sea negotiations was the surprising degree of progress made at the outset toward agreed procedures for third-party adjudication of disputes arising under the new treaty. At one time or another representatives from 60-odd countries participated in an informal working group. The work of this group finally resulted in an Informal Single Negotiating Text containing 18 articles with several

[10] United Nations Law of the Sea Conference Doc. A/CONF.62/C.3/L.26, April 3, 1975.
[11] Single Negotiating Text, Part III, Article 18.

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annexes establishing procedures for arbitration and conciliation, calling for a special Law of the Sea Tribunal to decide upon matters in dispute, and further providing that "the parties to the dispute shall be bound by the decisions of the Tribunal made in accordance with this chapter."[12] Alternately, disputes may be submitted either to an arbitration panel or to the International Court of Justice, if previously designated by both parties to the dispute.

While Washington has publicly stated that inclusion of comprehensive compulsory dispute settlement procedures in the final treaty will be essential to U.S. agreement, a number of countries, particularly from the developing world, may not yet have focused fully on the dispute settlement procedures as such; their ultimate disposition thus remains in some doubt. The same drive for total sovereignty in the 200-mile economic zone, already noted, led a number of developing coastal states at Geneva to attempt to exclude any dispute concerning the zone from binding third-party settlement procedures. Should this attempt be renewed in later negotiating sessions of the conference, the ultimate success of the conference would be threatened.

The Committee I Single Negotiating Text also provides for a special Tribunal for the proposed International Seabed Authority to adjudicate disputes involving the international area. How this Tribunal relates to the Law of the Sea Tribunal provided in the Single Negotiating Text on Settlement of Disputes remains to be resolved.

XI

As well as demonstrating the great complexity of the issues involved in the negotiations thus far, the foregoing analysis indicates the strong coastal-state bias evident throughout much of the Single Negotiating Text, particularly in the provisions regarding the exclusive economic zone.

From a strictly internationalist point of view (if there remains such a perspective in today's world), two trends are particularly lamentable. Probably the most important is the likely circumscription of scientific research, regardless of the final wording that may emerge from the negotiations. Already oceanographers such as Paul Fye, Director of the Woods Hole Oceanographic Institute, can cite numerous examples of pure scientific work which was either not undertaken or left incomplete for lack of coastal-state clearance. This has resulted in loss, not only to the quest for increased knowledge but, in many cases, to the long-term interests of the very coastal state which for one reason or another had withheld consent for the undertaking.

[12] Single Negotiating Text, Part IV.

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Particularly invidious is the provision in Part II of the Single Negotiating Text requiring coastal-state consent for scientific research within its 200-mile zone. While Article 49 does provide that such consent shall not normally be withheld in the case of pure scientific research, experience with a similar provision in the 1958 continental shelf convention has been anything but encouraging. This is particularly unfortunate since oceanographers estimate that as much as 75 percent of the important research for the rest of this century needs to be conducted within the areas over the continental margins. It is here that most of the important living and non-living resources are to be found and where the problems of pollution will be the hardest to control.

A second trend is what has happened to the principle of "full utilization" of fish species to provide the maximum protein to feed the world's hungry. While it is true that this principle has found its way into Article 51 of the Single Negotiating Text, it has been placed under three serious impediments. First, through a substitution of "optimum" for "full" utilization, the door has been opened to the introduction of extraneous factors in the very definition of the principle itself. "Optimum" to the coastal state may mean something far less than "full" to the rest of the world. Second, not only is the coastal state given the right to determine its own capacity to harvest living resources, but the obligation to give other states access to the surplus is made subject to "all relevant factors, including . . . the significance of the renewable resources of the area to the economy of the coastal state concerned and its *other national interests*" [emphasis added].[13]

Finally, even if one can surmount these obstacles, the coastal state is given express permission to adopt regulations that may include the licensing of fishing, fishermen, fishing vessels and equipment; requiring the landing of any or all of the catch in ports of the coastal state; and "requirements for training personnel and transfer of fisheries' technology including enhancement of the coastal states' capability of undertaking fisheries research."[14]

The net effect of the foregoing, good intentions to the contrary, is to provide the coastal state with so many handles to avoid meaningful implementation of the principle of full utilization as to render that principle effectively worthless if that is what the coastal state wishes to do. The situation would become even worse if, as already noted, coastal states are successful in eliminating the application of peaceful dispute settlement procedures to the economic zones—even to disputes

[13] Single Negotiating Text, Part II, Article 51(3).
[14] Single Negotiating Text, Part II, Article 51(4).

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arising from an abuse of rights or duties otherwise imposed by the convention on coastal states.

It should be noted, however, that even in the exclusive economic zone (which by its very terms correctly implies the extent to which control over resources has been accorded to the coastal state), international freedom of air, surface and subsurface navigation seems likely to survive relatively unscathed.

In the deep-ocean area, evaluation from an internationalist perspective becomes more complex, for here traditional international freedoms (which amount to first-come, first served) conflict not with national but with international control. While it is true that problems of the deep-ocean area, with their overlay of the major ideological differences that divide the developed from the developing world, may be the most difficult to resolve, this is also the area of greatest long-term promise. If the negotiations do result in a generally acceptable treaty containing provisions for the joint sharing of resources of the ocean bed, a major contribution will have been made not only in terms of the orderly development of ocean resources but in the establishment of a prototype that will suggest solutions for other seemingly intractable areas of potential international conflict. Luckily there are pragmatic forces that may lead to such a compromise. When all is said and done, the developed world in particular needs the mineral resources and the developing world the revenues, small as they are likely to be at the outset.

XII

Three questions remain to be asked: What is the prognosis for the emergence of any treaty in the near future? Even if enacted, is it likely to be desirable? And finally, what is likely to transpire if the process fails? No one of these questions can be considered in isolation from the others. For one thing, even if the international negotiating process were to collapse tomorrow, the Single Negotiating Text would have left a heavy imprint on the subsequent development of ocean law.

What then is the prognosis? With a Single Negotiating Text finally in hand, there is at least a reasonable chance that the negotiators will, if two substantive sessions are indeed held during 1976, arrive at a final text within the next 15 months that will be generally acceptable to most states. Even though final ratification of an agreed text will be likely to take years in any case (and serious problems may arise during such a ratification period), the achievement of an agreed final text would be a very great one.

Does such a text now seem possible? For one thing, unless substan-

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tial progress is made in 1976, the attempt to stem the flow of further major unilateral encroachments is likely to prove impossible.

Secondly, while the treaty will satisfy no state entirely, it is likely to contain something of major importance to everybody that would not be assured to them in the absence of a comprehensive treaty. Coastal states *do* get their exclusive economic zones, the great powers their rights of unimpeded transit through straits, and if deep-sea issues are resolved, the developing countries will not only have an organization in which they will clearly have a major voice, but the promise of important financial returns as well. From this perspective at least, the conference leaders are wise to push for a comprehensive treaty, or none at all.

If it proves impossible to arrive at substantial agreement on major portions of this comprehensive treaty in the next 15 months, the situation will probably unravel—particularly since, without substantial agreement on the whole, it seems unlikely that agreement on any portion of the subparts will be reached in mini-conventions as was the case in 1958. The conference has been costly both in terms of money and manpower, particularly to the developing countries; many are likely to decide that, should the present momentum be lost, they had better get what they can on their own or through regional agreements.

While some Americans have argued that the United States, with its advanced technology, lengthy coastlines and broad margins, has little to lose should the conference fail, even this is questionable. A representative of one of the American companies that has taken a lead in the development of deep-sea mining technology said to me at the close of the Caracas session that, while the conditions of exploitation were indeed important to the mining companies, what they needed above all was relative certainty about the conditions under which they would operate. Thus, almost any resolution of the debate over conditions of exploitation would be preferable to the chaos that might otherwise result, even though no treaty might be to the advantage of U.S. mining firms in the short run.

A similar overriding desire on the part of other delegations for certainty as opposed to chaos is likely to be the strongest single factor contributing to the ultimate success of the conference. If no treaty at all emerges, we are likely to witness not only the increasing assertion of national claims, but also increasing conflicts among claimants, as both the number of ocean uses and the number of users increase. Then indeed we will see more of what has already been aptly called, by Lord Ritchie Calder, "the biggest smash and grab since the European powers at the Berlin Conference in 1885 carved up black Africa."

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THE NORTH-SOUTH DIALOGUE: FROM CONFLICT TO COMPROMISE

By Jahangir Amuzegar

THE conflict between the poor developing nations living in the Southern Hemisphere and the rich industrial countries of the North has entered a new phase in recent months. At long last the countries of the world are coming seriously to grips with the growing material inequalities between a handful of affluent nations in North America, Western Europe and Japan (which account for less than 18 percent of the world population but more than 60 percent of world income), and the scores of poor countries in Asia, Africa and Latin America which constitute the bulk of humanity but enjoy very little of the earth's bounty.

The North-South struggle, brewing for years, had its first climactic manifestation in the 1971–72 negotiations between the Organization of Petroleum Exporting Countries and the multinational oil companies for a higher crude oil price. OPEC's success in its first real bargaining with the companies put the geo-economics of petroleum at the very center of world politics. The oil price adjustments of 1973–74, and the consequences of the Arab oil embargo, made the world realize—however reluctantly and painfully—that the inevitable had finally occurred. The blissful era of plentiful and ridiculously cheap hydrocarbon fuels from the Middle East came to a fateful end.

A direct and highly significant corollary of the oil price rise was a warning to the world that the limits to the interminable growth of energy and raw materials consumption were not merely physical but also political and financial. OPEC's solidarity in resisting Western political pressure during the 1972–73 boom, and its remarkable resilience in holding the oil price line in the face of falling demand during the 1974–75 economic recession, have given other raw-materials producing countries hope for more equitable arrangements with the industrial world.

II

The dawn of a new relationship between OPEC and the West has been accompanied by a relentless war of words over the future

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supply of energy and raw materials, and the very survival of mankind. The concerned students of earth sciences and the apostles of a "leaner" Western life-style have argued that the ongoing relation of man to resources is bound to deteriorate before long into a quagmire of raw-materials shortages and environmental decay. A distinguished panel of the U.S. National Academy of Sciences recently joined individual voices of concern over the future of oil and mineral supplies. In a 1975 report entitled *Mineral Resources and the Environment,* the panel indicated that the world faced a future characterized by shortages of many industrial raw materials and by dwindling supplies of the resources vital to the modern techno-industrial culture. The report added that it was no longer prudent to assume, a priori, that technology would solve every problem of material shortage by replenishing the stockpile of industrial energy, metals and minerals at the present and prospective rates of use. A major thrust of the study was that the first real shortages were "perhaps only a matter of a few years away."

At the other end of the spectrum, the congenital optimists and the latter-day manna seekers have pooh-poohed such forecasts as "eco-nonsense." In their view, the world is moving toward a nirvana of limitless abundance in energy, food, minerals and metals. Professor Beckerman and his supporters, for instance, have been trying to "put an end" to what they consider the "dying cult of ecodoom." Their argument is that, even at the present state of the arts, mankind could "probably extract one hundred million years' supply of metals from the top mile of the earth's crust" (and by A.D. 100,000,000 somebody will surely think up something!). Pollution and population growth will produce their own "natural antidote of breakthroughs" in due course. The world food problem is, in turn, soluble by raising global farm productivity under presently known technology, to wit: by raising agricultural efficiency throughout the world to the level existing in the Netherlands now, it would be possible to feed 60 billion people—as compared to the present world population of about 3.9 billion![1]

Fascinating as this boom-and-bust controversy has turned out to be, it has largely concerned the reality of long-term *physical* limits to world economic growth. It has, for the most part, stayed clear of the equally significant *political* and *economic* limits. The aim of this paper is to show that the limits to growth in the world at large—and particularly for the rich one-third of mankind living in the Northern

[1] Wilfred Beckerman, *In Defence of Economic Growth,* London: Cape, 1974; and "A Little More Time," *The Economist* (London), June 29, 1974.

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Hemisphere—are not a matter only of the physical availability of reserves. Supply constraints, i.e., the terms and conditions under which industrial raw materials are offered for sale by their producers, are equally, and in some cases much more, important. And these constraints are largely and frequently politico-economic, unrelated to production capacity or nature's transient generosity.

As in the case of oil, so for other industrial raw materials, the matter of physical availability is only part of the problem. And it is a part which should be examined in conjunction with other relevant issues, in a *politico-economic* context (i.e., in the broad framework of producer-consumer relationships). Looked at in this context, it would appear rather inconsequential whether world minerals-metals resources will last 100 years or 100 million years. The real issue is whether or not *this* generation and the *next*—whose survival and prosperity are essential to those of more distant generations—can come to terms with the political realities of an economically divided North-South world; that is, whether or not present world leaders can succeed in laying proper foundations for a world in which the effects of limits to future growth would be minimized. This, in turn, hinges upon the possibilities of establishing certain harmonious international arrangements for the national utilization and equitable distribution of the world's resources—no matter how plentiful or scarce these resources may be and no matter how long they may last.

III

The postwar economic relationship between poor Southern countries—almost all primary producers—and their rich Northern partners—almost all industrialized—has been one of the most formidable obstacles to balanced global economic growth and world political stability. The disparities in the standards of living, know-how, productive capacity and bargaining power between the two groups have not only been responsible for their political rift; they have constituted some of the most forceful impediments to an orderly utilization of world resources for the benefit of present as well as future generations.[2] The vicious circle of poverty and low productivity among the poor two-thirds of the world population has been based on the low return on their raw-materials exports—the major source of their livelihood and development. Painfully low prices for primary products have not only reduced aggregate demand, investment capability and needed growth in the producing countries; they

[2] Half of the world's 3.9 billion inhabitants have less than $200 annual per capita incomes; 900 million subsist on incomes of less than $75 a year.

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have encouraged wasteful consumption, "loafing," and irrational growth in the rich consuming countries. The great seesaw of commodity prices has further sapped the producers' planning capacity and taxed their development ability.

The Third World's demand for the establishment of a "new international economic order" to put an end to this untenable relationship has been given particular impetus by the intensity and frequency of economic crises in the early 1970s. Virulent global inflation, protracted widespread unemployment, foreign exchange instability and wild fluctuations in raw-materials prices in recent years have been a clear reflection of the breakdown of the Western-dominated postwar monetary and trade systems. The need for a thorough overhaul of these systems has never seemed so compelling.

The two resolutions endorsed by the U.N. Special Session on Raw Materials and Development in April-May 1974—the Declaration on the Establishment of a New International Economic Order, and the Program of Action designed to implement the declaration—were the first collective attempt toward establishment of a new North-South partnership. These resolutions were later approved by the General Assembly in December 1974 and put together in a Charter of Economic Rights and Duties of States. Unfortunately, the main points of the three resolutions—sovereignty over national resources, improved terms of trade for the raw-materials producers, and increased transfer of real resources to the developing countries—evoked strong objections and reservations from the West, partly on "ideological" grounds, but partly also as a result of misunderstanding the Third World's intentions.

The raw-materials producers' desire for price stabilization and orderly markets, for example, was (erroneously) singled out as the *main* purpose of the new order, and interpreted as a sort of "commodity militancy" designed to duplicate OPEC. OPEC's own success in raising oil prices was also given an ironic and unfortunate twist. That is, the beneficial long-term effects of the oil price rise on energy conservation, industrial efficiency, environmental sanity and international equity were overlooked and obscured by false alarms over oil-related liquidity shortages, payments deficits, and worldwide inflation and economic stagnation. The consuming public in the West remained largely uninformed or unconvinced of the strength of the raw-materials producers' grievances, the volatility of their major foreign exchange earnings, the mounting costs of their manufactured and food imports, and their sovereign aspirations for domestic development and progress.

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Despite the strength of the Third World argument about the unfairness of past economic relations, conservative wisdom in the West continued to be tilted toward isolationism, and "benign neglect" of the poor nations' predicament. In a new version of the old Malthusian dictum, some Western libertarians continued to regard national poverty, like the individual's, as essentially self-inflicted. Nations are poor, it was held, because politically and ideologically they are misguided in the way they think, in what they expect from others, and in their attitudes toward life.[3] The contemporary Spencerian message to the poor was equally clear: don't blame anyone but yourselves for your misery; don't expect the rich to serve you up prosperity on the silver platter of aid; learn the virtues of political democracy and the "liberal" capitalist system—and you will be saved.

IV

Within a short time after the adoption of the Charter for the new international economic order, however, Western, and particularly American, government attitudes and actions underwent a change—moving away from skepticism and indifference toward reasoning and cooperation. The Third World's position also significantly solidified, thanks partly to OPEC's financial assistance and psychological support. In recent months, concerned public and business leaders in the West have shown growing readiness to seek the road to world political stability and economic prosperity in a more rational way through negotiation and compromise. The raw-materials consuming public—particularly in the affluent industrial world—has begun to recognize the hidden but colossal costs of a diminishingly pleasing life-style. The multinational concessionaires have lost their entrenched influence over host governments, and much of their formidable lobbying power in their own domestic political economies. And, most significantly, the raw-materials producing nations (and the oil exporters as their early pioneers) have come of age—politically able to defend their sovereign rights, economically equipped to pursue their national aspirations, psychologically ready to assert their identity, and internationally committed to seek cooperation and avoid confrontation.

The Seventh U.N. Special Session on Development and International Economic Cooperation, in September 1975, served as a turning point in the North-South conflict. The realism shown by both the Third World and the West in their negotiations during this session resulted in perhaps one of the most productive resolutions by

[3] See, for example, Irving Kristol, "The New Cold War," *The Wall Street Journal*, July 17, 1975, and the *Journal's* editorial, "A Word to the Third World," in the same issue.

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the United Nations in recent years. The ideological confrontation of the Sixth Session gave way to a series of serious negotiations in good faith toward a consensus. The proposals submitted by the "Group of 77" were met by a number of positive and constructive counter-proposals from the United States, the European Economic Community and Japan. Out of this process came a compromise resolution which, when implemented, will go a long way toward meeting some of the Third World's long-standing demands.

The resolution essentially calls for: (1) expanding and diversifying trade, improving productivity and increasing export earnings of the developing countries; (2) securing stable, remunerative and equitable prices for exported raw materials, and protecting their purchasing power; (3) reducing or removing tariff and non-tariff barriers affecting the less-developed countries' exports; (4) increasing the volume and improving the terms of development assistance; (5) achieving the official development assistance target of 0.7 percent of donor countries' GNP by the end of this decade; (6) increasing the LDCs' access on favorable terms to world capital markets; (7) relieving debt burdens of the most seriously affected countries; (8) giving the Third World a greater voice in the management of international financial institutions and larger access to their resources; (9) increasing international control and surveillance over the creation and equitable distribution of world liquidity; and (10) facilitating the process of industrialization in the developing world.

V

The first significant outcome of this historic resolve—"the spirit of the Seventh Special Session"—was the Jamaica Accord this January on the reform of the international monetary system. The monetary accord reached in Kingston, following a two-day "bargaining" session of the International Monetary Fund's Interim Committee, was the culmination of a long and painstaking process of give and take between the haves and the have-nots. Unlike its wartime predecessor, the "new Bretton Woods" was not a creation of the rich by the rich and for the rich (or the impoverished rich). The new agreement was more like an "open covenant, openly arrived at" through a serious dialogue between the rich and the poor—a dialogue in which, perhaps for the first time in postwar history, the Third World could use its real bargaining power. The final "package" had something for everyone, in a realistic, pragmatic quid pro quo. What the poor nations received was no longer a reflection of the rich countries' generosity or charity, but a price for agreeing to the items which essentially

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benefited the rich—items in which the poor had no real or immediate interest.

The developing nations' benefits from the "reform package" consisted, *inter alia,* of: (a) an increase in their IMF quotas from about 7.5 billion units of Special Drawing Rights to SDR 12 billion (raising their total share from about 26 percent to some 32 percent) subject to ratification by member governments; (b) an immediate 45 percent enlargement of their use of Fund resources; (c) a new "trust fund" through which they could receive the profits from open-market sale of one-sixth of the Fund's gold; (d) an early review of the recently enlarged Compensatory Financing Facility;[4] and (e) a further review of the Fund quotas in three-years' time instead of the regular five. What they failed to obtain out of their initial demand was a "link" between the Special Drawing Rights and development finance, a gold and currency substitution account, a stable exchange rate regime, and a second basic allocation of SDRs.

The counterpart gains for the industrial countries were: (a) the "legalization" of the floating exchange rate system along with the abolition of the official price of gold and the elimination of the obligation to use gold in transactions with the Fund; (b) the possibility of an ultimate return to a "fixed but adjustable" par-value system coupled with each member's obligation to collaborate with the Fund and other members to promote a stable system of exchange rates, and to avoid manipulating exchange rates in order to gain unfair competitive advantage over other countries; (c) freedom (after the amendment of present Articles of Agreement) for the central banks to buy and sell gold in the market at market-related prices; and (d) the restitution of some 25 million ounces of IMF gold to member-countries in proportion to their quotas (thus tilting the distribution of increased global liquidity in favor of the rich).

The Jamaica Accord reflected a new and effective activism by the poor—an activism which successfully challenged the traditional hegemony of the "Group of Ten" big industrial nations in international monetary affairs. Even if the political horses which were traded in Kingston were no thoroughbreds, and the "reform package" not all that significant, the horse-trading process itself was genuine and animated. And while many issues were left unresolved, the Accord had

[4] This newly liberalized IMF facility allows member-countries with temporary export shortfalls ready access to the Fund resources. Thus raw-materials exporting countries whose export earnings in any one year fall from normal levels for reasons beyond their control (e.g., sharp decline in commodity prices, poor harvests, disasters, etc.) can draw on the Fund resources normally up to 50 percent of their quotas in any 12-month period and up to 75 percent beyond that.

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something for each party—which is a lot more than may be said about a lot of past international agreements.[5]

VI

Another major offshoot of the Seventh Special Session has been the Conference on International Economic Cooperation held in Paris in December 1975, and now continuing in full force. A vastly expanded version of the original Western proposal for a producer-consumer forum on energy, this first North-South dialogue addresses itself to the totality of economic issues separating the rich from the poor. The agenda of the conference is divided among four commissions—on energy, raw materials, development, and finance—which will be discussing and negotiating over the upcoming months.

The special interests of the participating parties in the terms of reference of the four commissions are, to be sure, not yet identical. But there is a vast common ground for both sides to begin a dialogue. The poor nations clearly wish to assert their legitimate aspirations for a global redistribution of wealth and power on a fairer and more equitable basis. The rich are not only resistant for economic reasons to such sweeping demands; they are also reluctant to change the delicate balance of global politico-economic power which they have built and maintained in the postwar period—without the LDCs' direct involvement or genuine participation.

There is, however, also significant internal diversity of interest within each group. The have-not nations are held together by a set of common grievances against the rich and by a common desire for economic independence and political self-assertion. But they are also beset by national differences in resource endowment, population pressure, income level, technological progress, foreign aid receipts, access to world capital markets, and attractiveness for foreign investments, tourism, etc. These intra-group disparities are bound to make the maintenance of common positions by them on all issues somewhat difficult. The rich countries, in turn, display intense differences in philosophical outlook, national economic objectives, and global political ambitions. They find a unified stand on all agenda items an almost impossible task. There are also significant philosophical and practical policy differences on many agenda items among the various national agencies of some Western countries; that is, the positions favored by

[5] Among these are a proper system for better international management of global liquidity; an effective mechanism for asset settlement (i.e., the obligation by countries to convert into a primary reserve asset, such as SDRs, official balances of their currencies held by other countries and presented to them for conversion); and the promotion of an increased flow of real resources to developing countries.

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the foreign ministry, the treasury, and the central bank of a single country do not always coincide. As a result, the possibilities of different bargaining coalitions on different issues are greater than ever.

On energy, for example, the stated interest of the oil producers is to negotiate future oil prices in the context of the conditions of supply and demand for all sources of energy, including the vital issue of protecting the purchasing power of energy export earnings (i.e., a link between the level of oil prices and the level of inflation). Major oil consumers, by contrast, are interested mainly in the security of supply and markets for oil and in cooperation to promote increased supplies. Among the Western governments, the United States and Britain push for a minimum "floor price" for oil (so as to safeguard the development of their own energy resources); but energy-short countries among the members of the Organization for Economic Cooperation and Development prefer an open-market policy.

On raw materials, the developing countries seek to preserve the exercise of sovereignty over national resources and offer for discussion such topics as the protection of the purchasing power of export earnings, negotiation of commodity agreements, formulation of general principles of a pricing policy for commodity exports, compensatory financing schemes and buffer stock arrangements—in short, greater stability in commodity prices and rising incomes. Industrial countries divide into (a) those which oppose international commodity agreements to bolster prices as a matter of "principle," and are willing to go only as far as stabilizing foreign exchange earnings through compensatory financing schemes; (b) those which are prepared to join commodity pacts designed to reduce price seesaws and to guarantee a floor price; and (c) those which are willing to enter such pacts on the condition that a ceiling based on natural market forces is also agreed upon at the outset. Most rich countries have so far taken a fairly united stand against "indexation," i.e., pegging the future level of commodity prices to the level of inflation in the industrialized countries.

On the transfer of real resources and development assistance, the LDCs stress, in varying measures, such issues as access to markets in the developed countries for capital, technology and the sale of their manufactured products, help for accelerated agricultural development and industrialization, the security of supply of food and fertilizers at reasonable prices from the rich countries, larger flows of official concessionary aid and private investment capital, regulation against unfair competition from synthetics, a code of conduct for multinational corporations, debt rescheduling, increase in the capital

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base of the World Bank and the International Finance Corporation, adequate replenishment of the International Development Association, and a link between SDR creation and development aid.

The developed countries emphasize the importance of foreign (particularly food) aid, technology transfer, international private investment, increased agricultural and food production, enhanced trade opportunities, and rapid industrial growth. But they are, with notable exceptions, reluctant to accept the 0.7 percent aid target suggested for the Second Development Decade; they shy away from debt moratoria; and the richest among them are unenthusiastic about the link. With respect to both the aid target and the link, however, policy differences among the industrial countries are substantial.

On financial affairs, the LDCs are largely interested in the problems of long-term financial flows and investments in both the industrialized and the developing countries; the protection of real value of financial assets; access to international financial markets; a review of the structure, policies and procedures of multinational financial institutions; and, generally, a greater voice in reshaping the world monetary and trade systems.

The developed nations, led by the United States, are largely concerned with the financial consequences of oil prices and the placement of petrodollars, financial implications of commodity agreements and export earnings stabilization, financing of development projects and food imports in the developing countries, and the general problem of payments deficits in the LDCs. But here, again, the degree of financial orthodoxy within the "Group of Ten" industrial nations varies greatly.

VII

In the face of such heterogeneity of interests, motivation and strategy, the establishment of a new world economic order requires defiantly hard bargaining on specific policies and actions. And in this arena, the conventional wisdom offers little help. The need is for new departures in international thinking, and a restructuring of the world power balance. The post-1946 conventional wisdom was to cope with the old Churchillian East-West cold war (i.e., the balancing and containment of communist power) through an essentially economic approach: help Europe to reconstruct her war-torn economy; give technical and financial aid to the emerging nations to raise their material standards of living; provide balance-of-payments assistance to the economies temporarily in foreign exchange difficulty—and obtain, in return, the "pacifying effects of material prosperity." The ultimate

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result was expected to be enduring political stability, the spread of democratic institutions, and strengthened resistance to anti-capitalist ideology. This strategy worked reasonably well in Europe; it fell short of its goal in the developing world.

In contrast with the East-West cold war, the new North-South conflict seems to require essentially a political rather than an economic orientation. The growth prospects in the developed world, and the development possibilities for the LDCs in the remaining years of this century, seem increasingly dependent on a broad new political consensus rather than the old-fashioned, limited economic cooperation. As a recent World Bank study has concluded,[6] no single set of measures in the field of trade, aid or internal development policy can restore the growth of poor countries to something like the U.N. target of six percent annual growth for the Second Development Decade. The alternative "policy mixes" (including increased exports, import substitutions, changes in consumption patterns, and inflows of public and private capital) can hardly be implemented as a purely economic matter. Only a comprehensive international policy can provide the implementation machinery. And any long-run readjustment in world economic growth (requiring changes in the structure and pattern of world production, consumption and trade) is an integral part, again, of a broad political consensus.

The chances of success in reaching such a consensus, in turn, depend on the prior clarification of the issues at stake. A particularly thorny case in point is the erroneous identification in some of the Western press of the North-South division as a "deep ideological split" between affluent democracies which "put their faith in economic growth" and the Third World which proposes a "redistribution of the world's wealth" to poorer countries—a conflict between "liberal capitalist societies" and those which are "opposed to liberal capitalism in principle."

A closer examination of the issues involved, however, would show this portrayal to be superficial in its content and fallacious in its analysis. The "new cold war" is neither essentially ideological nor truly systems-oriented. It is, for the most part, a simple bread-and-butter issue in the fundamental sense of the word. The Third World is not opposed to economic growth either for itself or for the industrial world. As a matter of plain common sense, the only way the poorer countries can ever catch up with the richer nations is to grow a lot faster, continue to consume a lot less, and invest a lot more. They can thus hardly be expected to oppose their own economic growth. And

[6] *Prospects for the Developing Countries,* Washington: July 1974.

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since their material progress is closely intertwined with Western prosperity, they would be fools to wish to kill the goose that lays the golden eggs. What they ask is to *share* in the industrial world's economic growth and technological superiority. What they object to is unbridled and self-serving growth—at the expense of *balanced* universal progress. To them, growth, without the twin criteria of equity and efficiency, is economic madness bordering on moral myopia. The issue, in their mind, is a distinction between national growth fantasies and global development requirements and realities.

The Third World's demand for international justice and equity in global resource allocation and income distribution is also largely misunderstood and misjudged. The propriety of a new international order, based on "shared growth," hinges on no one being deprived of the fruits of his ability, or forced to reduce his high standard of living. The issue is *balanced* universal welfare. The official development assistance target of 0.7 percent of the West's GNP in the 1970s may appear large, impractical and unobtainable to some Western countries. But looked at in the context of the West's enormous and increasing wealth, it is not difficult to reach. With a modest growth rate of five percent a year, this target will constitute only about one-seventh of the West's annual increase in income. What the Third World wants is the transfer of a small part of this *marginal* wealth and income to poorer members of the world community. Given the patently unfair character of past economic relations, a small transfer of this *additional* wealth—with no reduction in the West's actual consumption level—can hardly be considered difficult or painful.[7]

The charge against the Third World as a whole of harboring particular philosophical hostility toward "liberal capitalism" is also overly exaggerated and largely irrelevant. Many developing countries owe their rapid growth and relative affluence to their emphasis on economic freedoms, material incentives and decentralized decision-making. The tribal, religious and social values in some others often place great stock in the equality of opportunity, healthy competition, and the bargaining process. The apparent distrust by others of the market mechanism is also based on the common belief that this mechanism has been a poor vehicle for the equitable allocation of world resources and the distribution of world income.

The inadequacies of the market in the present North-South relationship are glaringly evident. A good many Third World countries

[7] A mere five percent *growth* of GNP in the United States in 1976 (about $70 billion) is equal to the combined annual GNPs of more than 70 developing countries in Asia, Africa and Latin America.

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are small, and dependent for their living on one or two basic raw materials with low supply-and-demand elasticities, or under constant threat of synthetic substitutes. They can hardly match the economic strength of industrial giants with tightly organized labor and well-entrenched corporate bureaucracies. Thus, while primary producers' prices have disruptingly fluctuated with the successive postwar business cycles, manufacturers' prices have climbed steadily upwards. In the last four years, some primary commodities have risen four times or more in price only to drop back to one-third or less within a few months. Only a Neanderthal free enterpriser, or an economic nihilist, can honestly deny that such widely volatile gyrations, coupled with subsequent deterioration in terms of trade, make a shambles of national planning and domestic growth.[8]

The resistance by free marketeers to the "new economic order," on the other hand, is based on the erroneous identification of "efficiency" and "optimum allocation" with the market. What is largely ignored or forgotten by libertarian philosophers are serious imperfections in the present competitive process. In the real world, unlike Pareto's optimum, competition is not always what competition does. The classical perfect competition—diffused and atomistic—is based on the assumption of reasonable equivalence of economic power and resources on the part of competing groups. In the current North-South economic relationship no such equivalence exists. Nor are the competitors' handicaps adequately recognized or allowed for. Market economics may serve the cause of personal freedom and economic growth in a world where initial advantages and opportunities are fairly equally distributed. A first-day swimmer, with both hands tied behind his back, cannot be expected to beat Olympic champions. Yet the economic world we live in is just such a pool in which seasoned record winners and inexperienced beginners are to compete side by side. In this situation, the "every-man-for-himself" criterion is not a guarantee of economic efficiency or distributional justice. It is a cause of debilitating discord and frustration.

VIII

To establish the necessary foundations for a fair and healthy global competition, a viable international economic order must, in the final analysis, be able to allocate world resources, and organize global production and distribution, in such a way as to ensure both sustainable worldwide growth and greater justifiable equity—without undermin-

[8] With the exception of 1973–74, the relative terms of trade of the non-oil developing countries have not improved over the past 25 years.

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ing either necessary efficiency or sufficient incentives. The trade-off is clearly four-dimensional, and naturally seldom ideal.[9] That is, under a reasonable compromise, neither world growth nor efficiency would be at its maximum in the impersonal sense of classical market competition. Nor would there be total income equality. But the world as a whole might be a better place in which to live—and let live. The new rich-poor relationship in such a new world would be based on neither handouts nor exploitation, but on mutual respect, cooperation and care for the living as well as the unborn.

This is essentially what the Third World is asking. And this is not a dream-like foray into the unknown. The Third World seeks to apply to the international economy some of the same principles of resource allocation and income distribution presently observed in some progressive Western democracies themselves.

In nearly all Western countries, farm prices are presently stabilized and farmers subsidized in one way or another, often through price parities, i.e., "indexation." Antitrust laws are enforced against unfair competition. Favorable treatment is accorded to domestic businesses and workers. Giant corporations "affected with the public interest" are regulated. Special assistance is offered to the poor and the disenfranchised. Why, the Third World wonders, is something good for the homegrown goose not equally good for the foreign gander? Why are national trade unions, bent on protecting the individual worker's legitimate rights against the big impersonal corporations, sanctified and backed by law, but associations of raw-materials producers, as a countervailing force against the preponderant strength of their well-organized foreign oligopsonists, called unlawful cartels and unethical practice?

IX

To remove the causes of the "new cold war," the domestic criteria of equity and humanity should be extended beyond the national borders. This is what the North-South dialogue is all about. As a starter, solution-oriented dialogue between consumers and producers in Paris could address itself to four broad subjects: (1) a blueprint for future energy prices and supplies with due regard for the rapid exhaustibility of hydrocarbon fuels; (2) international agreements on a number of primary commodities to regulate their world trade and earnings; (3) a realistic scheme for a larger flow of real resources to the poor

[9] A compelling case for equality *cum* rationality and efficiency *cum* humanity is made by Arthur Okun for the national economy. See *Equality and Efficiency: The Big Trade-Off*, Washington: The Brookings Institution, 1975.

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countries; and (4) protection of foreign investments against economic and political hazards.

Some of these schemes still receive little enthusiasm in the developed countries—partly because of disappointing experiences in the past with commodity pacts and supply guarantees. What is largely overlooked, however, are the fundamental and durable changes that have taken place in the last three or four years in the structure of world power relations. While the record of past efforts to end the roller-coaster prices of raw materials and their producers' earnings has not been exactly enviable, the future of commodity agreements looks reasonably bright. And this for three basic reasons:

First, although it may be difficult for all raw-materials producing countries to duplicate OPEC's success, their chances for reaching accords with rich consuming countries now seem better than ever. OPEC's unique trump cards[10] do not, of course, exist for other commodities. But raw-materials producers still can make their voices heard. Reproducible commodities (e.g., wheat, coffee, sugar, cocoa, tea and rubber) are naturally more vulnerable than most metals (e.g., copper, bauxite, tin, chromium), and shakier than some minerals, like phosphate. But the producers' solidarity, and their combined strength, may make up for some of the weaknesses.

Secondly, the United States and other Western countries which were initially reluctant to discuss the Third World demands at the same time or in the same conference (or at all) now seem to have had some second thoughts.[11] President Giscard d'Estaing of France has called for "normalization" of raw-materials export prices. Prime Minister Harold Wilson of Britain at the Commonwealth summit in Kingston in May 1975 supported minimum earnings guarantees for countries which depend on a few key exports. Secretary Kissinger has expressed U.S. willingness to discuss "on a case-by-case basis" international arrangements covering the prices of raw materials. President Gerald Ford in a Colorado speech in August 1975 defended higher prices for energy as a spur to conservation and necessary for more efficient use.

And, finally, there has been a gradual realization by the rich countries that price stabilization for basic raw materials is not only bene-

[10] E.g., the industrial world's insatiable need for oil imports, geographic concentration of petroleum reserves in the Middle East, absence of effective short-term substitutes for petroleum in many uses, non-perishability of oil, ease of supply control on short notice, and the capital-intensive nature of the industry making it immune to large worker layoffs in slack times.

[11] According to some Western press reports, the United States, whose "prime goal of oil diplomacy" was to break up OPEC during 1974–75, now finds such a move "detrimental to the direction" in which it is moving, and is willing to learn "to live with it." See *Time*, Jan. 19, 1976, p. 54.

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ficial to the developing countries, but may be in their own interest as well. Having recently come through a record postwar commodities inflation—and its critical aftermath—they now wish to avoid its repetition. And, themselves producing some 70 percent of the world's food and raw materials, and accounting for a third of world trade in these commodities, they obviously do not wish to see prices tumble. Some developed countries see a radical fall in raw-materials prices as potentially harmful to their own plans for developing substitutes.

X

Despite the convergence of such fortuitous forces in favor of the Third World, the implementation of a new international economic order still requires much greater political goodwill, accommodatory spirit, and determination to reach delicate and difficult compromises. While there is ample room for guarded optimism, the task ahead is indeed immense. Reluctance by Western countries to accept the 0.7 percent official aid target, much easier access by the Third World to Western markets, the stabilization of export prices and earnings for raw materials, or a much greater flow of private foreign investment and an international code of behavior, will linger on, and resistance to commodity agreements and costly buffer stock schemes will no doubt continue to be substantial. The consuming public's irritation with the primary producers' demand for higher prices, the foreign concessionaires' ire and dismay at losing their lucrative franchises, the importing governments' impatience and frustration with the Third World's growing influence and expectations must all be overcome first, in order for a serious dialogue to bear results. None of this is too easy. Yet there seems to be no alternative to global bargaining. Neither anger nor despair nor resignation nor bluff nor confrontation will bring the needed coherent solutions. Only a dialogue can. The issues that are to be resolved—energy, food, raw materials, transfer of real resources, the world financial order—each one with its own prospects and perils, call for international cooperation and interdependent solutions. The future of world peace and prosperity—that is, the real prospects for rational growth and equitable growth-sharing—will depend not so much on the bounty or niggardliness of *nature* as on the wisdom and courage of *men*.

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DOMESTICATING GLOBAL MANAGEMENT

By Robert L. Paarlberg

ONLY yesterday, globalism was dismissed as an overreaching foreign policy style, a dangerous magnification of national interests and ambitions. How surprising that now, in slightly different form, it should come to be regarded as the best means for nation-states to coexist and prosper in an intimately interconnected world.

What seems to have changed is the agenda of foreign affairs. Once dominated by security concerns, that agenda has now expanded to include welfare issues—food, energy, population, ecology, resource depletion and income disparity—issues which apparently do not admit to efficient management at the nation-state level. To handle this more challenging agenda, foreign policy leaders schooled in the old arithmetic of national security will have to learn the formulae of economic interdependence, the advanced calculus of planetary bargains and global welfare.

The corollary to this popular argument is a redefinition of what used to be called "domestic policy." The new global pursuit of welfare seems to imply a constraint upon the traditional authority of domestic policy leaders. New sensitivities across borders ensure that policy activities at home will produce much larger and more immediate consequences abroad. If global welfare is to be managed under these circumstances, large slices of internal policy must be considered to be within the enlarged domain of foreign policy. The jurisdiction of domestic policy must contract, and that of an enlightened foreign policy must expand. Internal policy leaders have done well enough in the past, but they are simply not equipped to manage global welfare functions. Foreign policy leadership must take the lead, meeting global problems with global solutions, pushing the imperfect nation-state system of today toward a more rational world order system of tomorrow.

As its title would indicate, this essay puts forward an opposing argument. Improved domestic policy leadership is the true precondition for effective welfare management abroad. The old distinction between internal and external policy is indeed breaking down, but in this situation it is precisely the domestic arena, with its comparative advantage in the effective command and control of economic and political forces, which must assume a larger portion of the global welfare burden. Inadequate domestic policies currently pose the

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greater threat to global well-being, and without remedial policy actions at home, attractive welfare "bargains" are unlikely to be reached or maintained abroad.

II

To begin with, consider that foreign policy leaders are unlikely to accept new responsibility for an agenda of global welfare management. Even during the recent period of intensified welfare crisis, old agenda issues remained uppermost in the minds of most foreign policy makers. Certainly in the United States, most foreign policy attention has remained riveted upon concerns abroad which have little to do with a new welfare agenda. Attention to the global energy crisis has been strong enough at times, but consistently overshadowed by more traditional security concerns, for example within the oil-rich Middle East. Issues of food, ecology or population have received sparse leadership attention even on the occasion of those world conferences called to certify the growing need for such attention. At the highest levels of the foreign policy community, ecology and population are orphan issues; and food issues tend to draw leadership attention not as a welfare concern but in the traditional context of alliance politics or East-West détente. Not even the larger issue of North-South income disparity, so highly politicized today by Third World claims against the rich, has been able to hold Washington's attention. Secretary of State Henry Kissinger does deserve mention for his lengthy message to the United Nations in September 1975, hailed by one observer as "the meatiest speech on development since the Marshall Plan." But even this message had to be read to the General Assembly in absentia, as the Secretary was in the Middle East at the time, preoccupied with an old agenda item, military disengagement in the Sinai Desert. Secretary Marshall at least found time to make history by delivering his own speech; Secretary Kissinger failed to make even a single appearance at the fifteen-day Special Session.

It is not enough to cite "episodes" of attention to global welfare, to note participation in this or that economic summit, or to observe American acquiescence in a new North-South dialogue on energy, finance, commodities and development. The old issues of sovereignty and security continue to receive far more attention than any new agenda of global welfare management. Over the past year, U.S. foreign policy makers have spent the bulk of their time on security policy in the Middle East, negotiations over Cyprus, alliance politics in the Mediterranean, the composition of allied governments in Italy, Spain, Greece and Portugal, the collapse of Indochina, the rescue of itinerant

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transport vessels in the Gulf of Siam, the credibility of nuclear deterrence in the Far East, European security at Helsinki, dealings with the Soviet Union and China after Helsinki, a second SALT agreement, proposed force reductions in Europe, the reorganization of the intelligence community, foreign military sales, the status of the Panama Canal, normalization of relations with Cuba, civil warfare in Lebanon, and a dubious confrontation with the Soviet Union in Angola. In the time remaining, very little thought could be given to the new agenda of global welfare.

While the United States is an extreme case, a fair degree of distraction from the new agenda of global welfare can also be noted in foreign capitals, including some that are seriously threatened by welfare issues. The foreign policy leaders of sub-Saharan Africa, for example, still devote a major portion of their time and energy to white minority rule in the southern portion of their continent, to rivalries for continental leadership, and to symbolic defeats inflicted upon the formal imperial powers. Foreign policy leaders in South Asia remain preoccupied with regional security concerns, arms acquisitions, and their current alignment or nonalignment with outside powers. And two of of the most important capitals of the world—Moscow and Peking—continue to focus their energies upon ideological rivalry with each other, and upon traditional matters of European or Pacific security. Only where security issues have been muted by hegemony or by superpower guarantee, as in Europe, Japan and Latin America, does one find foreign economic policy claiming a much larger share of leadership attention.

Not that foreign policy leaders should discard traditional issues and shift their full attention to the new agenda of global welfare: they have not done so for good reasons, or at least for strong reasons which will not soon disappear. One of these, obvious in the case of the United States, is a low immediate vulnerability to global welfare crisis. But another is the incapacity of foreign policy leaders as a group to do very much about global welfare, without an equal effort on the part of domestic leaders. If foreign policy leaders have been reluctant to focus their scarce attention on issues of global welfare, it is in part because such issues do not yield readily to interstate management.

First, on the matter of low vulnerability, it should be no great surprise that global welfare issues have attained only low priority on the foreign policy agenda of the United States. With regard to energy, for example, the high cost of foreign oil now threatens those poor nations without petroleum, while the insecurity of supply threatens rich nations which are heavily dependent upon imports. But the United

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States presently falls into neither category. Even as its domestic production may decline, the United States will be favored by abundant coal reserves, by a superior capacity for technical innovation, and ironically, by its own past history of inefficient energy use, which is to say a high potential for energy savings through modest efforts at conservation. U.S. foreign policy makers might even welcome a mild uncertainty over access to low-cost foreign oil, since this uncertainty reinforces American "leadership" within the community of more vulnerable allied industrial nations.

More obviously, in the area of food supply a sense of vulnerability again is not felt by the United States. The State Department gains untold diplomatic leverage, and American agriculture turns a nifty profit, with every upturn in world food demand. American agricultural abundance apparently looms as a trump card in direct dealings with the Soviet Union, and overseas food sales have been a large contributing factor to the favorable U.S. trade balance of the past year, offsetting even the purchase of high-priced foreign oil. American foreign policy leaders must feel anything but "threatened" by shortages or insecurities in global food supply. One even hesitates to consider the deepening interest which they may feel in promoting North American "agri-power" as a "food weapon."

Turning to the growth of world population, foreign policy leaders in the United States are again distracted from this issue for reasons of relative invulnerability. Population, by its own perverse logic, grows most rapidly in those areas of the world least equipped to accept new numbers. And a convincing link has yet to be made between this growth within the poor nations and the physical security or the foreign policy interests of the rich. To imagine such a link, to believe that demographic distress cannot be localized and ignored, is to resist a distressing lesson of current history. American foreign policy makers do not pay much attention to the growth of world population because that growth does not yet threaten their own security, comfort or well-being.

Raw material depletion and international access to low-cost raw material supply are more likely to emerge as foreign policy concerns in the United States. But here again Washington is well able to endure whatever the short run may bring. If high raw material prices should reappear, following a general economic recovery within the industrial world, the United States has a clear opportunity for conservation and a superior technical capacity for substitution. Moreover, the United States is a significant raw material producer in its own right, so that it stands to gain as well as to lose in times of shortage or in-

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creased demand. Despite the high visibility of some Third World supplier states, the developed rather than the developing nations still dominate most raw material markets today.[1]

Finally, with regard to global income disparity, a strong incentive for concern is again missing within the United States. Poverty in foreign lands has seldom been a cause for great alarm among the rich. And now Washington's few tangible interests in the non-OPEC Third World may also be in decline. In an age of ocean-going strategic weapons and overhead reconnaissance, Third World military base rights are no longer a vital security interest. The poor nations of the world participate in a declining share of U.S. commerce and investment abroad. An earlier cold-war incentive to win friends within the "uncommitted" regions of the Third World no longer governs even the language of American diplomacy. And now the new wealth of the OPEC nations, earned at such expense to the very poor, encourages some within the United States to push aid burdens onto others with a clear conscience. Far from depending upon the poor, foreign policy makers in the United States have found new reasons to ignore them.

All this is to challenge a more comfortable view, one which overstates the likelihood that United States foreign policy leaders will devote time and energy to projects of global welfare management, or to a new global war on poverty. If the world were indeed held together by common discomforts, the United States might be more inclined to undertake such efforts.

This first argument helps to explain the distraction of U.S. foreign policy leaders from the new task of global welfare management, but it fails to account for the distracted posture of world leaders elsewhere, including some of those in areas of the world more vulnerable to welfare crisis. The explanation for this more general pattern of distraction is not so much selective vulnerability as it is a form of incapacity. Consider the rude fact that most foreign policy leaders are not by themselves capable of exerting decisive control over today's most pressing global welfare issues. What they cannot easily control, they prefer not to handle. Today's most compelling global welfare issues—population, food, poverty, resource depletion, energy and ecology—are matters of weak foreign policy concern precisely because they do not admit to any individual or collective foreign policy solution.

Having long held foreign policy leaders responsible for the state of the world, contemporary critics may resist any suggestion that a primary responsibility belongs elsewhere, particularly

[1] Thierry de Montbrial, "For a New World Economic Order," *Foreign Affairs*, October 1975.

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within the often discredited domain of domestic policy. Global problems, they will insist, require nothing less than a global solution. Today's global actors, however, are ill-equipped to do more than imagine such a solution, and they spend little of their time doing even that much. For the moment, an important managerial advantage resides at home, within the domestic policy arena, where so much of the world's distress currently originates. No matter how severe the global consequences of a crisis, interstate crisis management may not be possible without a prior exercise of enlightened domestic policy control.

Surely this is the case with the world population crisis, which has not arisen through interstate channels, and which is unlikely to be controlled or even moderated through those channels. Fertility rates are not adjustable by agreement between states. They are singularly unresponsive to the terms of any imagined planetary bargain. Demographic crisis management requires health, literacy, employment and social emancipation, most notably the emancipation of women, within nation-states. These fundamental social conditions cannot be the direct product of any one nation's foreign policy, or any combination of foreign policies. Indeed, determined demographic management sponsored from abroad is more likely to be resisted than modest managerial efforts inspired at home. Economic and technical assistance from abroad must be available to those domestic leaders who are determined to moderate rates of population growth, and who lack the resources to begin. But as yet, domestic leaders in many demographic crisis areas have lacked either the interest or the will.

Insecurities in global food supply are likewise ill-suited to foreign policy management. More than anything else, they reflect production below potential in high food-demand areas. Unanticipated shortfalls in food production can create interstate dilemmas, or even interstate tensions, but a shortfall itself cannot be recovered through simple interstate coordination or interstate agreement. Foreign policy leaders have a demonstrated capacity to sell food, to trade food, to give away food, and even to destroy food, but they cannot by themselves grow food. Interstate food programs, such as the joint management of a global food reserve system, aid for agricultural development, or emergency food transfers to those nations which cannot afford to pay an incentive price, can be no substitute for internal policy efforts to grow and to conserve more food.

In the continued absence of such efforts within a number of food deficit nations, including now the Soviet Union, interstate transfer and food stockpile agreements can even discourage the necessary increase in local production. The preconditions for a secure global

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food regime remain distinctly non-diplomatic. In the short run, one can only hope for good weather. In the long run, the only hope is a broad-based effort at rural development within most of the world's highly populated food-deficit nations. Such an effort might plausibly be financed from abroad, but it must be managed and inspired from within. To date, among those landed or urban elites who hold power in many food deficit nations, the inspiration has been lacking.

But what of the world's energy crisis? Here at least seems one global welfare crisis which may admit to foreign policy control. If the current crisis is a product of an explicit agreement among oil-exporting states to raise prices and limit supply, then perhaps it can be managed or moderated by a new and larger agreement among those who buy as well as sell petroleum.

Yet the insecurity of today's global energy market may again be traced to non-diplomatic forces. The world market for oil was converted from one which favored buyers to one which now favors sellers through the sudden entry of the United States into that market, after U.S. domestic production peaked in 1970. Unable to satisfy its growth in domestic consumption through an increase in the domestic supply, and unwilling to constrain habits of inefficient domestic use (the average American uses twice as much energy as the average German), the United States turned to the world market after 1970, importing a small amount in proportion to its own total needs, but nonetheless doubling growth in world demand for oil from developing-country producers.[2] Until these energy needs of the United States can be disciplined or satisfied from other sources at home, a seller's market will most likely prevail, and a better "global bargain" on access to low-cost supply from abroad may not be struck.

So the current world energy crisis also requires a prior managerial effort within national borders, and specifically an effort to curtail inefficient use and to stimulate transition to alternative sources of supply within the United States. The absence of such a policy at home has virtually crippled the foreign energy policies of the United States abroad. Very soon after the final disruption of the world petroleum market in 1973, American *foreign* policy leaders did move with surprising speed and agility to propose a sweeping new program for interstate energy management. An innovative oil-sharing plan was worked out, first under the auspices of a new Energy Coordinating Group, and later within the fledgling International Energy Agency (IEA). A financial "safety net" was offered to protect vulnerable im-

[2] James P. Grant, "The OPEC Nations: Partners or Competitors," in *The U.S. and World Development*, ed. James W. Howe, New York: Praeger, 1975, p. 136.

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porting nations within the Organization for Economic Cooperation and Development. A "floor price" agreement was proposed to safeguard new energy investments. And then an offer was made to negotiate oil issues directly with the exporting states, an offer later expanded at the insistence of those states to include other North-South issues on the negotiating agenda. Here was the framework of a remarkably comprehensive *foreign* policy effort.

But this overseas effort was undercut by a failure at home, either to broaden the base of the energy supply or to moderate demand. When warm weather and a general economic contraction softened demand temporarily, energy policy took a back seat to other economic concerns. Legislation finally emerged from the Congress late in 1975 which actually lowered domestic oil prices for the duration of the upcoming election year, and eliminated an import fee which had been designed to discourage excessive reliance on foreign supply. Only a superficial attempt was made to deal with automobile fuel economy. Either cold weather or an economic recovery would now force a renewed increase in petroleum imports, and as a consequence a perpetuation of the seller's market abroad.

This pattern of *domestic* policy default was dramatized in a September 1975 IEA report, which ranked the United States fifteenth among eighteen member-nations in effective efforts at energy conservation. This is not a strong domestic performance, two years into the crisis, from the nation which had originally sponsored creation of the IEA. By an appropriate coincidence, it was also in September 1975 that the OPEC nations, aware of weak energy discipline within the United States, agreed upon yet another increase in the price of foreign oil. Even a small effort at energy conservation within the United States might have prevented this outcome. At any rate, the time spent without a disciplined domestic energy policy, time spent by foreign policy leaders bluffing, bribing and negotiating their way across the world stage, had been time wasted.

As with population, food and energy, so with ecological disruption and the depletion of low-cost natural resources. The unmodified growth of world population and of global industrial activity will continue as sufficient cause for both ecological peril and resource depletion, whatever the activity of the world's foreign policy leaders. So long as discipline in resource use and ecological preservation is missing within states, a useful ecological bargain is unlikely to be struck between states. Indeed, resource management and environmental conservation within the industrial world cannot afford to be predicated upon worldwide agreement. The strong interest which many devel-

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oping countries now feel in policies of unrestricted commercial and industrial expansion remains incompatible with the new ecological interest of those which are already rich. At any rate, both the causes and the consequences of most ecological abuse are still contained within the borders of separate nation-states.

So it is that global welfare cannot be properly managed abroad until it has been tolerably managed at home. Without a prior exercise of domestic policy authority, the global welfare crisis will not admit to efficient interstate control. And so it is that many foreign policy leaders prefer to deal with their traditional agenda, an agenda of security, rivalry, alliance and ideology. Such issues at least admit to the possibility of effective interstate control. Nor should foreign policy leaders be faulted too heavily for this choice. The pursuit of peace and security among sovereign states is still an awesome task, one which if left unattended can intrude at any time upon today's more elevating welfare pursuits. To label "global welfare" a high priority concern in world politics is something of a recent luxury, after all. It presumes that the larger threat of global warfare has somehow been contained.

III

Some of today's interstate welfare strategies may prove to be worse than inadequate. If welfare issues untreated at home continue to be exported abroad, then even those modest options for management at the interstate level may actually go into decline. Given the general absence of interstate control instruments, and a recent history of domestic policy default, to entrust the interstate community with global welfare management is to invite at least four kinds of difficulty.

The first of these is drift. Still preoccupied with issues of arms, influence and ideology, foreign policy makers may never quite focus their energies on the new and demanding welfare task. The lure of the old agenda is strong—one more SALT agreement, one more Middle East crisis, one more covert operation, one more dramatic journey to Moscow or Peking. Perhaps the present generation of leaders must pass before global welfare comes to be recognized as a legitimate essential of high politics.

At another extreme, there is a danger that some foreign policy leaders may take this new managerial task too much to heart, seeking welfare bargains which can neither be struck abroad nor enforced at home. To avoid failure or frustration, they may be inclined to widen their options through inappropriate or unsavory means. At home, foreign policy leaders would have to seek much greater freedom of ac-

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tion, whatever the consequences for constitutional or representative government. And abroad, if convinced of their task, some great-power statesmen may wish to take too many managerial reins into their own hands by means of aggrandizement, bluff or force. Global welfare strategies predicated on the enlarged authority of a small directorate of foreign policy leaders are strategies which invite corruption and abuse. To create powerful international welfare instruments is to invite their eventual abuse. For this reason alone, one might prefer a strategy of welfare management that diffused responsibility among separate nation-states.

As a third danger, to push welfare issues toward the top of today's interstate agenda is to entangle those issues in the old agenda of rivalry, ideology, security and alliance. Food, population, ecology, energy or income disparity may then become subsumed under the old politics of challenge and confrontation. As welfare issues become politicized, generalists will replace specialists at the bargaining table, links to old issues will be formed, and opportunities for quiet technical adjustments will be lost. Already it is impossible for the United Nations Food and Agriculture Organization to consider world agriculture without prior debate on the Palestine Liberation Organization or the Panama Canal. And already some in the United States are describing agricultural abundance as "one of the most powerful tools in our diplomatic kit."[3] Lacking greater agreement at the outset on optimal rates of worldwide industrial growth, on standards of free or "fair" trade, on acceptable methods of resource transfer, on sustainable rates of population growth, or on manageable levels of pollution, welfare bargaining may only become a new vehicle for interstate competition. Foreign policy leaders will turn from the unwelcome task of managing interdependence to the more familiar task of manipulating interdependence.

But there is one final danger in trusting global welfare to foreign policy leaders, one which leads to the concluding judgment of this argument. This is the clear and present danger that interstate welfare strategies will be pursued ahead of domestic welfare measures which are preconditions to management abroad. Strategies of interstate action may serve as a means to excuse domestic inaction. For example, those in the United States who have been most eager to strike a better "global bargain" with oil producers overseas are also those least willing to control wasteful patterns of internal energy use. Public officials call for guaranteed access to low-cost foreign energy supplies as one means to justify their reluctance to face hard choices at

[3] See Emma Rothschild, "Food Politics," *Foreign Affairs*, January 1976.

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home, choices which must be made if a stable global energy regime is ever to be restored. And for those officials in some food-deficit nations who may hesitate to undertake determined efforts at agricultural reform, for fear of displeasing vocal landed or urban elites, what better escape than a new dogma of "global" responsibility for food supply? Those facing difficult tasks at home will have a clear interest in shifting their burden onto anonymous structures of "global interdependence."

But if the entire world community is held responsible for planetary welfare, then nobody in particular will feel responsible. An important bond of accountability which presently functions within nation-states can be weakened, and replaced by an inferior pattern of accountability between states, one which is unlikely to be maintained. As a substitute for an internal pattern of accountability, the call to global welfare management is an idea whose time has not yet come.

IV

Despite shortcomings in dealing with each other, nation-states have at least demonstrated a potential for dealing with themselves. Policy instruments of great strength are available within states, instruments of central taxation, subsidy, and regulation, instruments which far outshine the collective power of foreign policy leaders acting abroad. To take advantage of such instruments, the current global welfare crisis might better be understood as a collection of unmanaged or poorly managed national welfare crises.

But can poor nations without internal economies of scale be expected to deal with their own internal welfare crises? Clearly, they must have access to markets, to external sources of credit, technology and emergency relief, in greater abundance and on better terms than private channels will allow. But a great variation in the past performance of such states suggests that access to external help cannot substitute for internal measures, in some cases revolutionary measures, which will permit self-help. Moreover, the international community can organize itself to improve access for those states without developing heavy-handed structures of external management.

The first step might be to dismantle some existing policy structures (in the United States, escalating tariff schemes) which deny access to products from developing nations. To begin with anything more elaborate—a complete global managerial bargain—may only delay completion of such steps as can be taken unilaterally and at relatively low cost by separate nation-states. Of course, to go even this far will

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still require a prior exercise of domestic policy leadership, in the form of internal adjustment and full employment policies within the developed countries, which cushion both labor and business from the initial impact of freer trade abroad.

To "domesticate" the pursuit of global welfare in this fashion is not to lose sight of externalities. Nor is it to discourage efforts at interstate contact or cooperation. A choice need not be made between internal and external strategies of global crisis management. Appropriate domestic policies, sensitive to external effects, are merely described here as the precondition for mutually profitable foreign policies. The fruit of welfare management at home is precisely greater mutual success in global bargaining abroad.

Nor is the domestic arena being offered here as a remedy for every dislocation within the world's economy. The interstate arena remains critical in world monetary affairs, and in most trade areas as well. Here, external reciprocity can be as important as internal efficiency or productivity. This is certainly the case in world monetary affairs, and in most trade areas as well. International monetary stability does require a judicious control of money supplies at home, but even more, it calls for a scheme of mutual expectation and adjustment abroad. And an open global trade system can only be maintained through self-conscious acts of external reciprocity. These requirements are widely recognized, in past experience and in the current literature.

But the important literature on interstate rulemaking cannot be applied too far beyond its place of origin, i.e., money and trade within the industrialized world. Today's global welfare crisis is too often a pre-industrial phenomenon, or in some places a post-industrial phenomenon, and it extends too far beyond the old North Atlantic community. Rules of external reciprocity do not ensure either increased food production in South Asia or more efficient use of energy in North America. Poverty, ecology and population are even more distant from the realm of plausible interstate rulemaking. Continued domestic default may well produce external distress in these areas, but the external policy community cannot be expected to bear the burden of remedial action. External measures cannot be taken in these areas without improved policy discipline within nation-states. The instruments of domestic policy have a proven capacity for moving diverse patterns of private and corporate behavior in the direction of a common social preference. They are far more powerful than simple guarantees of external reciprocity. And they are not currently available at the higher level of interstate affairs.

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One serious problem remains. If domestic default has been a major source of global welfare distress, then how can one trust remedial action to the domestic arena? Domestic policy leaders may have superior tools available to perform the task, but they may forever lack the inclination, as they tend to be in practice less sensitive to externalities than their foreign policy colleagues. Powerful internal groups in the United States—Detroit, big oil companies, labor, consumer groups—these often represent the strongest point of opposition to policies which might contribute to welfare overseas. And should one trust the "domestic" agencies of the government—the Agriculture Department, the President's budget office, or certain committee chairmen in the Congress—with greater responsibility for food, energy or environmental policies which will directly affect the welfare of nations overseas? To do so seems an open invitation to global *mis*management, through internal policies of self-service and insulation.

Emphatically, the argument here is not for enhancing the *authority* of domestic actors or domestic agencies. What needs to be enhanced is leadership attention to those actors and agencies, in order to push them in the direction of a more constructive policy role. Today, with leadership attention focused on the interstate arena, critical internal policy measures are either neglected or defeated.

To move the global managerial effort into the domestic arena is not to give domestic actors or interests any authority which they do not now have. As it is, domestic interests are capable of blocking any interstate welfare scheme from which they feel that they have been excluded. The foreign policy leadership in the United States has attempted to finesse this blocking power by a fait accompli, by rushing into external agreement in the hope that domestic agency cooperation or congressional approval will somehow follow. But support and approval have not followed; such tactics have only raised domestic suspicion that foreign policy makers are not to be trusted with the nation's vital economic interests. Far better would be for the leadership to argue the merits of its global welfare policy at home, attacking the problem at its point of greatest resistance.

In the United States, this must be a job for the President himself, in his long neglected role as domestic policy leader. A president is sensitive to externalities, he has necessary information at his command, and yet he is supported and constrained by an internal mandate. If the President fails to promote internal policies which are sensitive to external welfare concerns, no other agency of the government can compensate for that failure. For their part, foreign policy leaders

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beneath the President can best contribute to this process by showing greater regard for the congressional or interagency consensus which must ultimately support any global welfare bargain overseas.

There is nothing facile about this approach, nothing which will guarantee an immediate outpouring of global generosity from domestic policy actors within the United States. Nor can one offer "presidential leadership" as a key to anything these days without some misgivings. But such leadership within the domestic policy arena is precisely what has been lacking. Presidents have too much enjoyed the sensation of making policy in Moscow, Cairo, Manila or Peking. They must also learn to enjoy the sensation of leadership in Washington, if the global reach of the American economy is ever to become an effective instrument of welfare policy abroad.

Nations overseas must find their own means for making domestic policy arenas more responsive to global welfare concerns. Their resistance to disciplined domestic welfare policy is likely to be just as strong as in the United States. Agricultural reforms, or social programs to promote demographic control, will have to be accepted by elites which now have a natural preference for urban or aggregate-growth modes of development. The urge will be strong to leave this internal welfare burden, once again, at the feet of the international system.

But the international system has not and almost certainly will not accept such a burden without an equal assumption of responsibility by domestic policy leaders within separate nation-states. The largest part of today's global welfare crisis originates within states, remains within states, and the most powerful tools for corrective action are internal instruments of nation-state policy. Until those instruments have been properly used, an attractive welfare bargain among states is beyond reach. Global welfare management turns out to be just like every other act of charity. It must begin at home.

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JAMAICA, OR THE NON-REFORM OF THE INTERNATIONAL MONETARY SYSTEM

By Tom de Vries

"ALL is well that ends," Treasury Secretary William Simon said jokingly at the cocktail party that followed the conclusion of the recent Jamaica Conference. It would indeed be hard to give in a few syllables a more discerning judgment about the long drawn-out international monetary negotiations of the past four to five years, since the suspension of the convertibility of the dollar into gold in August 1971, and the resulting collapse of the system of par values or fixed exchange rates which had existed since 1944.

The original purpose of the negotiations had been to bring about a full-fledged, comprehensive reform of the international monetary system. But this attempt was given up in January 1974 after, but as we shall see not mainly because of, the quadrupling of the price of oil. In its stead some "interim arrangements" were to be implemented. It took another two years of negotiations to reach final agreement at Jamaica on these interim arrangements, even though they consist mainly, though not exclusively, of the legalization of the international monetary practices which had evolved in the meantime. The Secretary's joke thus well expressed the feelings of most of those present under the mango trees.

In what follows, I propose to deal in turn with (1) the tensions that developed within the Bretton Woods system and why it was allowed to break down; (2) the reform effort that ensued and why it failed; (3) the Jamaica agreement and its significance; (4) where we should go from here, and how.*

II

Since the Second World War, international monetary relations have been guided by the Agreements reached at Bretton Woods in 1944. Those agreements created the International Monetary Fund (IMF), which was to supervise a new code of conduct in international monetary relations and to help countries in difficulties to continue to adhere to this code by granting them temporary financial assistance. They also created, more or less as an afterthought, the International Bank for Reconstruction and Development, more commonly known as the World Bank which, over the years, came to play a crucial role in the field of development finance.

These two institutions, together with their counterpart in trade, the General Agreement on Tariffs and Trade (GATT), constitute the embodiment of the economic principles enunciated by President Roosevelt and Prime Minister Churchill in August 1941. In view of some recent tendencies in international economic relations, it may be well to recall the two short paragraphs upon which international economic policy in the postwar period has hitherto been based:

> Fourth, they will endeavor, with due respect to their existing obligations, to further the enjoyment by all States, great or small, victor or vanquished, of access, on

* This article was written within a short time. Hence, it has not been possible to give adequate credit to the many written and oral contributions of others that helped to shape the author's ideas. The references contained in the footnotes that follow are by no means systematic, but are rather those references that came to mind spontaneously as the writing proceeded.

As will be evident from its contents, the article reflects solely the personal views of the author.

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equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity.

Fifth, they desire to bring about the fullest collaboration between all nations in the economic field, with the object of securing for all improved labour standards, economic advancement, and social security.[1]

The application of these principles helped to promote, for a quarter of a century, a most powerful and sustained expansion of internal and international economic activity. Yet, by the middle of the 1960s a number of tensions in the Bretton Woods monetary system had appeared, and had been clearly identified and analyzed. It would carry us too far here to examine the solutions which had been envisaged at Bretton Woods for these problems, other than to say that these solutions became inoperable mainly as the result of (1) the increased freedom of international capital movements, which were supposed to be strictly controlled under the Bretton Woods system, and (2) the increasing overvaluation of the U.S. dollar, as the economies of Europe and Japan recovered from war damage and interwar depression, and began to apply modern American production methods. Thus the exchange rate structure established in 1949 became increasingly inappropriate.[2]

The three problems that came to beset the international monetary system around this time can be set forth as follows. First, the process designed to maintain international payments equilibrium or to restore it if it has been disturbed—the adjustment process as it is called in economic jargon—was found to function less and less effectively. For the most part this was due to a tendency towards increased rigidity of exchange rates under the Bretton Woods par value system, a rigidity that went far beyond what had originally been envisaged. "In the future, the external value of sterling shall conform to its internal value as set by our own domestic policies, and not the other way round," Lord Keynes, one of the Founding Fathers of the IMF, had emphasized in a speech in the House of Lords on May 23, 1944. In fact, with time, the system evolved in a very different direction.

Secondly, there was no practical possibility to control the creation of international liquidity, that is to say, to regulate the volume of the assets that central banks hold as monetary reserves. Given the strong and central position of the dollar, many countries found it convenient to accumulate new additions to monetary reserves in easily usable, interest-earning dollar balances, instead of in gold. This made additions to international liquidity dependent on the U.S. balance-of-payments position, and on the decisions of individual countries whether or not to hold on to their dollars rather than to convert them into gold. Both these elements were completely unrelated to the need of the world economy for liquidity and moreover outside any general control. In addition, the volume of international liquidity was influenced by changes in the monetary gold stock. These changes were dependent on the vagaries of gold production and Russian gold sales on the one hand and private demand for gold on the other, factors equally unrelated to the need for liquidity and equally outside rational monetary control.

[1] The "Joint Declaration," which came to be known as the Atlantic Charter, can be found *inter alia* in Winston S. Churchill, *The Second World War,* Volume III, *The Grand Alliance,* London: Allen & Unwin, 1950, pp. 393–94.

[2] The theory and practice of the Bretton Woods system up to the early 1960s has been admirably set out by J. Marcus Fleming, "Developments in the International Payments Systems," *Staff Papers IMF,* November 1963, especially pp. 461–71.

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The third problem, related to the second one, was the absence of an internationally managed reserve asset.

The reserve arrangements which go by the name of the gold-exchange standard (or gold-dollar standard insofar as the dollar was the main national currency involved) were moreover prone to a well-known instability. At the outset, the balance sheet of the reserve center, that is, the country whose currency is accumulated by other countries in their monetary reserves, is strong. Its gold reserves are high, its short-term liabilities to other countries low—two factors which, together with a central position in the world economy and large well-functioning money and capital markets, are among the prerequisites for becoming a reserve center.

But the very development of the gold-exchange standard changes this position. As other countries accumulate reserve balances nominated in the currency of the reserve center, its short-term liabilities grow. At some point, the relationship between the reserve center's gold holdings and its short-term liabilities passes some critical point, or its balance-of-payments position suffers an unexpected reverse, and confidence suddenly evaporates. This leaves the reserve center extremely vulnerable, for by this time its reserve assets have become insufficient to enable it to convert its vastly increased short-term liabilities on demand if a large portion of them is presented for conversion at the same time. This happened to the pound in the interwar period and led to its downfall in 1931. The mechanism was rediscovered and fully analyzed as early as 1960, and the downfall of the dollar duly predicted unless clearly prescribed action was taken.[3] By the middle of the 1960s these problems, together with the unsatisfactory functioning of the adjustment process, were fully understood and widely recognized, both in academic and in many official circles.

III

The international community responded by solving the easiest of the problems which had arisen. Agreement was reached on arrangements which permitted the creation in the Fund of an international reserve asset by common decision. The new asset was given the bizarre name of Special Drawing Rights, SDR for short. The choice of this name was the result of opposition to the new arrangements by France. The French wanted instead to create liquidity by doubling the price of gold, a step which they expected would at the same time lead to the sharp reduction, if not the elimination, of the role of the dollar as a reserve currency. The compromise that was finally reached consisted of conforming in appearance to the French thesis that nothing but a new credit mechanism had been created—Special Drawing Rights on the Fund in addition to the existing drawing rights—whereas in fact a mechanism for the creation of a new reserve asset for settlements among central banks, international money for short, had been put in place.

Even this compromise was probably made possible at that time only because General de Gaulle had decided in the summer of 1965 to withdraw all French participation from the work of the Common Market in order to express his extreme

[3] See Robert Triffin, *Gold and the Dollar Crisis, The Future of Convertibility,* New Haven: Yale University Press, 1960. Since then Triffin, increasingly joined by others, has continued to bombard the international monetary community with his warnings. A particularly interesting example was his *Evolution of the International Monetary System: Historical Reappraisal and Future Perspectives,* Princeton Studies in International Finance No. 12, 1964, in which a striking parallel between developments after the First and Second World Wars was drawn, the dollar having taken over the role of the pound.

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displeasure with the course of events there. This French withdrawal happened to coincide with active consideration by the Monetary Committee of the European Economic Community during the fall and winter of that year of the problem of deliberate reserve creation. When the French representatives returned to Brussels in the spring of 1966, firm agreement had been reached among the remaining EEC members on the main outline of arrangements for the creation of an international reserve asset, which it proved impossible for the French to undo.

In the event, final agreement was reached on the SDR scheme in the Fund in April 1968 after at least five years of discussion, study, debate and negotiation. The agreement became effective on July 28, 1969, after the requirements for ratification by members of amendments to the Fund's Articles of Agreement had been met.

IV

In the course of 1969, it was decided to create ten billion SDRs during the three-year period 1970–72. This allocation of SDRs made the system in principle independent of the gold-exchange standard for additions to reserves, although from the first SDRs had been envisioned only as a "supplement to existing reserve assets." Nonetheless, some had argued that the U.S. balance-of-payments deficit was due to the desire of other countries to accumulate additional reserves. Before the SDR scheme, their only way of achieving this goal was to obtain dollars through payments surpluses, thus forcing the United States into deficit. According to these theories, SDR creation would quickly eliminate the U.S. deficit.

In fact, it soon became apparent that SDR creation did not result in U.S. payments equilibrium. The U.S. deficit increased even further, for it was fundamentally due to the increasing overvaluation of the dollar as the economies of Europe and Japan became more and more competitive with the American economy. International liquidity in the form of dollar balances grew on an increasing scale alongside the creation of SDRs.

It thus became evident that the concept of the SDR as only a "supplement" was inadequate. In order to regulate international liquidity, control over the accumulation of reserve currencies, and indeed gold, in monetary reserves would also be necessary. In fact, the academic community had never said otherwise. Their proposals had not merely consisted of the introduction of an internationally managed reserve asset, but had included the replacement of reserve currencies and monetary gold holdings by the new asset. These traditional reserve assets would be largely or completely deposited with the Fund in return for the new reserve asset.

The misalignment of exchange rates and the resulting accumulation at an increasing rate of dollar balances, which now soon came to exceed U.S. gold holdings, created increasing tensions in the monetary system. The dangers were not only recognized in academic circles. When the author arrived at the headquarters of the Fund to take up his new duties in early 1969 and paid his respects to the members of the Executive Board, his visit to Mr. Kafka was interrupted by a telephone call. The British-educated Director from Brazil had agreed to give a speech in a few weeks' time. What would be his subject? "Oh," replied Mr. Kafka with his usual unshakeable humor, "the impending collapse of the international monetary system, I guess."

The dangers of the situation were thus apparent to many. Yet nothing was done. True, the Executive Directors studied the question during the whole of 1969 and part of 1970. But the result of their study was a prudish report on the Role of Ex-

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change Rates in the Adjustment of International Payments, which came down squarely on the side of the maintenance and even strengthening of the Bretton Woods par value system, and only in the most tentative way discussed such frightening matters as "a slight widening in the margins around parity." Even on the question of the granting of authority to the Fund "to approve temporary deviations from the par value obligations in exceptional circumstances and under adequate safeguards," the Executive Directors were divided, and in majority opposed. In this the Executive Board faithfully reflected the prevailing opinion in official circles. Only in the United States, Germany and Canada had doubts about the par value system begun to stir.

V

It is an intriguing but tricky matter to try and discover the reasons for official inaction in the face of impending breakdown.

In the first place, adequate time was lacking. Given the necessity of reaching widespread agreement among sovereign governments, it had taken five years to reach a successful conclusion on the easiest question, the creation of an internationally managed reserve asset. The problems of the exchange rate regime and of control over the accumulation in monetary reserves of dollars and gold had always been recognized as more difficult, since they involved the various national interests and emotions more directly. Yet, given more time, considerable progress might have been achieved. The report on exchange rates, which I have characterized above as prudish, might have been the starting point. After all, official discussion on the establishment of an internationally managed reserve asset had begun with a report by the Monetary Committee of the EEC, which had concluded that the problem did not exist.

But more than time would have been needed. The negotiations on the establishment of the SDR had benefitted from some luck: the absence from the negotiating table at a crucial time of the party making difficulties. Much more importantly, they had benefitted from the farsighted and constructive policy of the U.S. Secretary of the Treasury at the time, Henry H. Fowler, who in turn could build on the important and thorough preparatory work done before him by Under Secretary Robert V. Roosa. Mr. Fowler recognized the need and sensed the right time to put the full power and prestige of the United States behind "contingency planning" for deliberate reserve creation. And he continued this forward-looking policy with determination against foreign as well as against domestic opposition, the latter of which saw in the SDR a prospective competitor of the dollar.

After his departure the American posture changed. To be sure, in 1968 Mr. Nixon was the first presidential candidate who did not commit himself during the campaign to maintain the convertibility of the dollar. Monetary crises were a sign of the times, he explained, and one had to learn to live with them. While this was a clever and indeed a farsighted position to take while campaigning for the Presidency that year, the Nixon Administration, once in office, soon extended the policy of "benign neglect" to international monetary problems. This stopped further progress until the crisis of 1971.

Mr. Fowler's successors have taken much less interest in the proper functioning of the system as a whole, and have concentrated more on the narrow U.S. national interest. This tendency was carried furthest by John B. Connally during his tenure as Secretary of the Treasury. He considered representations by the International

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Monetary Fund, even in the middle of a worldwide currency crisis, as unacceptable meddling in U.S. internal affairs. His reaction was to block the reappointment of the Fund's top officer, Pierre-Paul Schweitzer, when his term came up for renewal in 1972. The rationale of that move has never become quite clear. By getting rid of Mr.Schweitzer, he did not get rid of the International Monetary Fund, nor of the U.S. commitments vis-à-vis that institution under its Articles of Agreement. And Mr. Schweitzer was not only extremely capable and well-liked, but also a very prudent man. His successor was bound to pursue a more aggressive policy.

In addition to the factors of time and personality (or key national attitudes), there were a second set of considerations relating to the problem that had to be solved. At issue was the necessity of a devaluation of the main reserve currency, the dollar. It was feared by most monetary authorities that one of two things would happen. Either it would prove impossible to carry the operation to an effective conclusion, because many countries, faced with a loss on their reserve balances and given the dependence of their trade on a traditional rate vis-à-vis the dollar, would devalue in equal amount. Or, if an effective devaluation of the dollar against other currencies did come to pass, these very losses on official and private dollar balances would lead to a vast movement of funds into other, stronger currencies, or gold, leading to unforeseeable disturbances that might involve the future of the system itself. The events of the years that followed fully justified these fears.

Involved was the inherent instability of the par value system if combined, contrary to the assumptions made at Bretton Woods, with freedom of capital movements. The difficulty was analyzed as early as 1955 by the well-known British economist J. E. Meade.[4] Under the system of the "adjustable peg," as he called it, exchange rate adjustments are made only in cases of what the Fund Charter called "fundamental disequilibrium." But private institutions are just as capable as the authorities of recognizing a situation of fundamental disequilibrium. Indeed, various political drawbacks connected with a change in par value inevitably lead the authorities to delay an exchange rate adjustment that has become necessary. This gives private institutions and individuals ample time and a golden opportunity for riskless speculation. One sells the currency of the country that has fallen into deficit and buys the currency of the country in surplus. If an adjustment of par values takes place a profit is made, regardless of whether the weak currency devalues or the strong one revalues. If no adjustment takes place, the transaction can, given the fixed exchange rate, be unwound without loss, apart from some insignificant bankers' commissions. It is this possibility of riskless speculation that led, contrary to the intentions of the Founding Fathers, to the extreme rigidity of exchange rates under the Bretton Woods system once the controls on capital movements had been dismantled. It is this same invitation to speculation that makes nonsense of the notion of "stable but adjustable par values" in a world of free capital movements. In such a world there is no half-way house between exchange rate rigidity and exchange rate flexibility.

And this brings us to the third element hampering timely action—that the present generation of policymakers is wedded to the idea of fixed exchange rates to an unbelievable degree. It took three speculative waves of unimaginable proportions, with the countervalue of billions of dollars moving from one country to another in a single day, sometimes in a single hour, to finally move the world in March

[4] "The Case for Variable Exchange Rates," *The Three Banks Review*, September 1955, pp. 3–27.

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1973 to flexible exchange rates, at least for an "interim period." After the first two waves, indeed after the many speculative disturbances that had preceded those, the monetary authorities, ignoring both reason and experience, set about to restore fixed exchange rates.

Frankly, I find it hard to explain this phenomenon. Perhaps Lord Keynes' classic comment on his profession has some bearing:

> The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. . . . I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas. Not, indeed, immediately, but after a certain interval; for in the field of economic and political philosophy there are not many who are influenced by new theories after they are twenty-five or thirty years of age, so that the ideas which civil servants and politicians and even agitators apply to current events are not likely to be the newest.[5]

Probably more important is the fact that fixed exchange rates (without controls) are an "ideal" system in that they resemble monetary arrangements within a country and thus constitute an element of integration in the world economy. Moreover, the system had existed during periods of economic order and expansion, notably under the gold standard and the Bretton Woods system. Within living memory, fixed rates had been abandoned only in periods of major disturbances like the Two World Wars and the Great Depression. Hence flexible exchange rates were identified by many with the political and economic disorders (and national policy mistakes) that had accompanied them, rather than being credited with their capacity to function when the fixed-exchange-rate system could not.

Europe, in particular, had been hard-hit by the war disturbances. In addition, for most European countries, foreign trade, and hence the certainty of fixed rates if attainable, are much more important than for the rather closed U.S. economy. The same is true for the many developing countries heavily dependent on the proceeds of one or two staple commodities. The very weight of these considerations blinded authorities to the importance of the changes, analyzed below, that have rendered the fixed-exchange-rate system increasingly unworkable.[6] The different U.S. historical experience and economic position may explain why the United States does not suffer from the return-to-par-values syndrome that continues to afflict so many around the world.

Could the collapse of the international monetary system have been avoided by appropriate reforms? The causes had been properly analyzed well in time, appropriate remedies had been proposed, and the world had been fully warned of the danger of collapse if no adequate action was taken. In a sense, therefore, the breakdown could have been avoided. Yet, this would have necessitated rapid action to bring about a fundamental change in the system, and hence decision-making at a much greater speed than our inadequate institutional setup in international monetary affairs has been capable of in the past. It would, moreover, have involved a

[5] J. M. Keynes, *The General Theory of Employment, Interest and Money,* London: Macmillan, 1936, pp. 383–84.

[6] See Gottfried Haberler, *The Future of the International Monetary System,* Washington: American Enterprise Institute, 1975, pp. 387–89; Harry G. Johnson, "The Case for Flexible Exchange Rates, 1969," in *Approaches to Greater Flexibility,* ed. George N. Halm, Princeton: Princeton University Press, 1970, p. 102.

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fundamental change in the ways of thought of policymakers. I do not believe that acceptance of the required degree of flexibility in the exchange rate regime would have come about, even in the time span of a couple of years, if the fixed-exchange-rate system had not been so completely overwhelmed by speculative forces that in the end no alternative remained. That is to say, what has happened is not exactly an accident. It has been deeply rooted in our institutions and in the fundamental beliefs of our policymakers.[7]

VI

In August 1971, President Nixon "suspended" the convertibility of the dollar in gold, thus removing the linchpin of the Bretton Woods system. General floating of currencies ensued. The official international monetary community was galvanized into action. At its annual meeting at the end of September 1971, the Board of Governors of the Fund decided that the time had come to actively pursue comprehensive reform of the international monetary system. And in the summer of 1972, the Board of Governors put in place special machinery to achieve this end by creating a "Ministerial Committee on Reform of the International Monetary System," about which more in a moment.

In the meantime, the Executive Directors had brought out a Report on Reform of the International Monetary System[8] that more than compensated for their rather modest effort two years earlier. Based to an important degree on a most perceptive and imaginative "Sketch of a Reformed System" by the Fund's Economic Counsellor J. J. Polak, it contains a concise, closely reasoned analysis of the problems the system faced and indicates a number of practical solutions. In fact, hardly any further new ideas of importance were brought forward during the extensive reform discussions that ensued. In my view, this report still deserves to be read today.

A word must now be said about the structure and work of the Ministerial Committee on Reform. The Articles of Agreement of the Fund provide for weighted voting on the basis of the quotas assigned to its members. They also entrust the daily conduct of affairs to an Executive Board consisting of 20 Directors. The five members having the largest quotas (the United States, the United Kingdom, Germany, France and Japan) each have the right to appoint an Executive Director, and the rest of the 128 member-states combine themselves in groups known as constituencies, with sufficient voting power to elect an Executive Director.

Since each constituency was given the right to appoint a member of the Committee on Reform, it speedily became known as the Committee of Twenty. From the first it was assisted by a Committee of Deputies, headed by a five-member "Bureau" under a specially selected Chairman, Jeremy Morse of the Bank of England. To reflect properly the evolving membership of the Fund the Bureau further comprised an American, a Japanese, the Brazilian Executive Director and an African Central Bank Governor. Thus, unlike the negotiations on the establishment of the SDR, these negotiations fully involved the developing countries at every stage.

Both the meetings of the Committee of Twenty and those of the Deputies were from the start gatherings of close to 200 people. While this engaged a large proportion of those around the world officially involved with the matters at issue, it

[7] Compare Keynes on the avoidability of the "slump of 1930," *A Treatise on Money*, London: Macmillan, 1930, Vol. II, p. 385.

[8] *Reform of the International Monetary System*, a report by the Executive Directors to the Board of Governors, International Monetary Fund, Washington, D.C., 1972.

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also interfered with the intimacy and the efficiency of the discussions, even at the Deputies' level, where the meetings were conducted of necessity with iron discipline by Chairman Morse.

Under these circumstances the Committee of Twenty could hardly be expected to produce rapid results. Nevertheless, after a year of meetings, a thorough understanding of the issues to be dealt with had been achieved by policymakers and officials in the various capitals of the world, as well as an impression of the positions taken on these issues by the major countries or groups of countries—not an inconsiderable base from which to try for further progress.

It was at this point that the Bureau made a number of mistakes, or rather that a number of weaknesses in its approach became apparent, some of them procedural, at least one of them basic. First, it pressed too hard. Chairman Morse had set himself the goal of achieving comprehensive reform of the international monetary system within two years and he never swerved from this timetable. Given the complexity of the issues and the handicaps under which the Committee had to work, this timetable was utterly unrealistic. In fairness to Chairman Morse, it must be said that after each new monetary disturbance the Ministerial Committee asked him to speed up the work.

In the second place, the members of the Bureau considered themselves too much the representatives of the areas from which they came. Instead of providing the imaginative analysis which sometimes makes possible the reconciliation of opposing points of views on a new and different plane, the Bureau displayed a tendency to take one element of one country's position, another element of a second country's position, and then to put the two together with inadequate attention to the internal consistency and workability of the result.

Moreover, the Bureau's hurry led it to put excessive pressure on countries to reconcile their positions there and then. This occurred for instance at the Paris meeting in the fall of 1973, and led to a hardening of national positions, registered by the Bureau as failure to reach agreement. More leisurely discussion and an opportunity for further reflection and consultation at home might well have produced more favorable results.

Lastly, the desire to reach political compromise induced the Bureau in its early drafts of the Outline of Reform to conceal real differences beneath clever formulations. This led the U.S. Deputy, Paul Volcker, to complain that the documents were full of what he called vacuous sentences. (Example: in the reformed system "the volume of global reserves shall be adequate but not excessive.") While many of these sentences were gradually eliminated or filled out with some meaning, some remained.

VII

This brings me to what I consider to have been a basic mistake by the Bureau. The Committee was, of course, faced by the two fundamental unresolved problems mentioned above, namely reform of the exchange rate system and control over the creation of international liquidity in the form of reserve currencies and gold. Yet neither the Committee nor the Deputies discussed the future exchange rate regime in any depth at all. This is quite remarkable in view of the fact that the world moved from a fixed-exchange-rate regime to a regime of floating rates during the very deliberations of the Committee.

In December 1971, after a period of widespread floating, a general realignment

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of exchange rates was agreed upon: the so-called Smithsonian Agreement. However, already in June 1972, the pound had to abandon the new rate. In February 1973, after enormous speculative capital movements amounting to more than $8 billion, a second devaluation of the dollar was decided upon. But this only further undermined confidence. After a new speculative wave, fixed rates among the main currencies were abandoned in mid-March. Thus some 15 months elapsed between the proudly hailed Smithsonian exchange rate realignment and widespread floating among the major currencies.

In the light of these events, at the meeting of the Committee on March 26–27, 1973, immediately after floating exchange rates had become general, some discussion of the exchange rate regime inevitably took place. But the radical change which had taken place in the exchange rate field was too recent for the Ministers to come to any basic decisions. Their communiqué declares: ". . . in the reformed system the exchange rate regime should remain based on stable but adjustable par values. It was also recognized that floating rates could provide a useful technique in particular situations."[9] Since, however, it had been pointed out at the meeting itself that "particular" did not mean "temporary" and that even "temporary" was not equivalent to "short-term," the passage in fact indicated the absence of any decision about the future exchange rate regime.

Meaningless as it was, this formula was nevertheless adopted by the Bureau. The Outline of Reform, the final though non-binding document of the Committee, contains almost identical phrases about "stable but adjustable par values" and "floating rates in particular situations." This reflected the judgment by Chairman Morse that it would be impossible to get much further in the field of exchange rate arrangements within the timetable he had set himself.

In my opinion, this decision fundamentally vitiated the work of the Committee of Twenty. The exchange rate regime and the reserve assets, and the money used, constitute two of the most basic elements of any international monetary system, and they are closely related. An outcome which left the exchange rate regime completely up in the air could therefore hardly be considered as constituting comprehensive monetary reform.

Moreover, there was a second major difficulty. A deliberate decision by the Ministerial Committee to give countries the right to choose the exchange arrangements they preferred would have been one thing. But that was not at all what the Ministers had had in mind in March 1973 when they approved their communiqué. While some Ministers, notably the U.S. and the German ones, increasingly began to plead in favor of adopting flexible exchange rates for an indefinite future, a large majority of Ministers continued to favor an early return to fixed exchange rates. Indeed, the solutions proposed in the Outline for the other major problem, the future reserve system, explicitly assume a par value system.

The 1972 Report by the Executive Directors on Reform of the International Monetary System had already addressed itself to one of the problems created by the suspension of the convertibility of the dollar into gold, namely, what to do with the huge dollar balances which a number of countries had accumulated in the effort to defend the old par values, but which the non-convertibility of the dollar made it impossible to dispose of.

[9] The various papers of the Committee have been brought together by the International Monetary Fund in a most useful booklet entitled *International Monetary Reform, Documents of the Committee of Twenty,* Washington, D.C., 1974. The passage quoted above appears on p. 215 of that publication.

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The solution proposed was to institute a Substitution Account in the Fund in which countries could deposit these dollar balances and receive in return SDRs to be specially created for that purpose. A similar solution was discussed for gold. In order to avoid the accumulation of dollar balances in the future, countries would have the duty (or the right) to deposit newly acquired dollar balances in the Substitution Account in return for SDRs. The Substitution Account in its turn would present these dollar balances to the U.S. authorities for settlement in SDRs. (Similarly, the United States would have the right to acquire SDRs from the Substitution Account against payment of dollars when in surplus, and when consequently the dollar holdings of other countries would decline.) The Substitution Account would thus relieve the United States from the obligation to convert "old" dollar balances, but would require the United States, like other countries, to settle, that is to pay for, future deficits in reserve assets, while at the same time assuring that it would receive reserve assets when in surplus and not merely see its liabilities decline.

This system was given the name of asset settlement. Many technical variants were, of course, possible and would have to be studied. Some more substantive questions remained to be settled. Certain countries wanted to retain their freedom to accumulate further dollar balances if they so wished, and this desire for freedom would have to be balanced against the degree of loss of control over the volume of international liquidity that this would entail. But in principle the idea was clear and simple.

The Outline of Reform of the Committee of Twenty took over the idea of asset settlement and of the substitution of dollar balances for SDRs, albeit in a watered down form—but in doing so clearly assumed a par value system! "All countries *maintaining par values* will settle in reserve assets . . . ," the Outline stipulated.[10] In a world in which the dollar would fluctuate indefinitely, these provisions, on the study of which the Committee spent a great deal of its time, would be void of any real significance.[11]

The point is important, and hence I have been specific. But it is not open to doubt. For Chairman Morse himself, reporting on the work of his Committee, stated unambiguously: "Nevertheless, [the system described in the Outline] is to be based upon stable but adjustable par values and is to be equipped with intervention and convertibility arrangements which do not belong to widespread floating."[12] It is evident from the same speech that in mid-1974 Mr. Morse was still a firm believer in the return to some par value system.

Thus there developed a mounting contradiction between those areas of reform to which the Committee addressed itself in depth and the exchange rate system that had evolved in the meantime in the real world. This made the work of the Committee look increasingly unreal. There is a curious parallel between this hope for a return to par values in the 1970s and the equally unrealistic wish to return to gold in the 1930s, on which the World Economic Conference of 1933 foundered.

The Committee was saved from these contradictions by the quadrupling of the price of oil in the fourth quarter of 1973. So enormous was the uncertainty created

[10] *Documents,* p. 14, italics added.

[11] Other examples of the exclusion of floating rates are to be found in paragraphs 22 and 25, and Annex 8, of the Outline. *Ibid.,* pp. 14–15, 43.

[12] "The Evolving Monetary System," Speech to International Monetary Conference, Williamsburg, June 7, 1974, mimeographed, p. 3.

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by that disturbance to world payments, and so evident became the fact that flexible exchange rates were here to stay for an indefinite period, that the Committee of Twenty decided to give up its attempt at comprehensive reform of the monetary system. Thus, even if Chairman Morse and the Bureau had achieved the impossible feat of avoiding all errors, the outcome would have been the same. The failure of reform cannot and has not been blamed on the Bureau.

At Rome, in January 1974, the Ministers decided that their attention should be concentrated on immediate steps that would assist the functioning of the international monetary system during an "interim period." It took until the Jamaica meeting of January 1976 to reach final agreement on a package of interim measures.

VIII

The Jamaica agreement thus is not the beginning of a new era. If anything, it is the end of an effort which started with high hopes and finished with rather modest results, namely makeshift arrangements for the most pressing problems during an "interim period." But while the rebuilding of a rational monetary system will have to wait for another day, such building will have to start from certain important elements now put in place.

What then does the Jamaica agreement entail? I have so far used the words Jamaica agreement in a loose way, referring to it as encompassing all the measures agreed upon since the Rome decision to abandon comprehensive reform. In fact, the agreement contains a broad package of measures. Agreement on parts of the package began to emerge as early as January 1975 during the second meeting of the "Interim Committee" (which had succeeded the Committee of Twenty on Reform), so that at Jamaica only a few final issues remained to be settled.

Moreover, while it was always understood that tentative agreement on some issues was dependent on assembling a balanced package acceptable, as a compromise, to all, some other measures were considered so urgent that they were implemented as the negotiations proceeded. Indeed some of these measures—such as the establishment of the Fund's "Oil Facility" to assist members in meeting payments difficulties resulting from the increase in the oil price; the "Interim Valuation of the SDR"; and "Guidelines for Floating"—resulted in fact from the final stages of the work of the Committee of Twenty or from work by the Executive Directors. I shall ignore these differences in timing and origin in describing the main features of the actions that have now been decided upon.

The main questions confronting the negotiators continued to be, as before, the exchange rate regime and the control over reserve assets.

As far as exchange rates were concerned, the differences of opinion increasingly threatened to become a Franco-American dispute. The United States wanted full legalization of floating now, and the absence of any obligation or moral pressure to return to a par value in the future. Since the U.S. authorities do not intend to reestablish a par value for the dollar for as far ahead as they can see, they were, quite rightly, adamant in refusing to accept any obligation to do so. The French, on the other hand, were not prepared to agree to the elimination from the Fund's Articles of future obligations relating to the observance of par values, a regime to which they remain strongly and fundamentally attached, and continue to hope to return to. The prospects of reaching agreement were hardly improved by an episode at a dinner meeting *en marge* of the June 1975 meeting of the Interim Committee in Paris. French Finance Minister Fourcade came from that meeting

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believing that he had reached agreement with his U.S. counterparts that the future exchange rate regime would be based on "a system of stable exchange rates." However, the typescript that became available the next morning spoke instead of "a stable system of exchange rates," a phrase that defies clear definition.

The episode draws attention to the advantages and disadvantages of informal meetings among Ministers. Such meetings clearly have a major role to play in reaching broad understandings about basic issues as well as setting the tone for the future. But they involve some important disadvantages when it comes to detailed negotiations. Ministers often have their roots deep in the national body politic, but this very quality frequently means that they lack fluency in foreign languages. The danger of misunderstandings is obvious. Secondly, the very informality of the meetings implies the absence of much documentation. But in our modern world many questions are so technical that they cannot be settled finally without adequate documentation at hand. In the third place, Ministers are not always sufficiently familiar with the questions at issue. This particularly affects new officeholders. A further drawback of informal Ministerial meetings is a tendency of other negotiators to harden their positions in anticipation of them. As a consequence the Ministers may be burdened by an unwieldly mass of technical detail. The theory seems to be: "The Ministers don't have to *understand* these issues; they just have to *decide* them." The result may be poor decisions.

With regard to the exchange rate question, it was obvious that matters could not be left as they stood. This was the more so, since most other countries became increasingly convinced that something like the existing exchange rate arrangements would continue in force for a considerable time to come, and that any future negotiations on the exchange rate regime would hardly be affected by some vague compromise language in the Fund's amended Articles. They began to refer to the matter as a "theological" dispute, void of any practical significance. They were therefore ready to accept almost any reasonable formula the United States and France could agree on, and indeed hinted that it might be useful if the U.S. and French authorities got together to produce one. A series of bilateral negotiations ensued which ended in an agreement at the time of the November 1975 Rambouillet Conference and this agreement was subsequently redrafted so as to fit it into the legal language of the Fund's Articles of Agreement, with the help of its General Counsel, Joseph Gold—no mean accomplishment in view of the fact that the government of the two countries had originally insisted that their compromise was so finely balanced that not a single word could be changed.

In my opinion, the new article regarding exchange arrangements basically reflects the American position in favor of exchange rate flexibility.[13] While the words stable and stability appear many times, the article unambiguously stipulates that under present conditions a Fund member is entitled to have almost any exchange arrangement of its own choice. The main limitation on its freedom in this respect is that it must avoid manipulating exchange rates in order to prevent effective balance-of-payments adjustment or to gain an unfair competitive advantage over other members. True, the article also provides that the Fund "may determine, by an eighty-five percent majority of the total voting power, that international economic conditions permit the introduction of a widespread system of exchange arrangements based on stable but adjustable par values." And there is a Schedule C, vaguely

[13] *Amended Articles of Agreement,* Article IV, Section 4, International Monetary Fund, soon to be published.

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reminiscent of the old par value obligations, which will then apply. But it is important to note that there is no obligation to introduce par values under any circumstances, that an 85 percent majority is required, thereby giving the United States a veto, and that the system must be "widespread," so that a few countries maintaining stable exchange rates among themselves, like those participating in the European "snake" arrangement, cannot claim to constitute the par value system. Last but not least, Schedule C provides that, even after a decision taken by an 85 percent majority to introduce par values, any member retains its freedom to maintain for its own currency different exchange arrangements of its own choosing.

But quite apart from these legal provisions, I find it difficult to conceive of a situation in which par values would be restored. For the breakdown of the fixed-exchange-rate system was not an accident. It was an event, moreover, that the authorities fought tooth and nail to prevent. It was due to fundamental economic forces.

The factor most easy to understand is inflation. High rates of inflation have also meant great differences in inflation rates in various countries. In 1974–75 the annual inflation rate in industrial countries ranged from 6–7 percent in Germany to close to 25 percent in Italy and the United Kingdom. This clearly rules out exchange rate stability.

The second factor is even more fundamental. It results from structural shifts in our rapidly changing industrial society. It has been estimated that in ten years' time more than half of international trade in industrial products will consist of goods that do not yet exist today. In the first instance, newly invented products are likely to be produced most effectively, if at all, in highly advanced countries. But with the passage of time, production methods are simplified and standardized, and the competitive advantage shifts to other industrial or industrializing countries. The production of motor cars may well be about to reach that stage today. In these cases the equilibrating forces so fully and exhaustively analyzed in economic theory do not apply, and the only proper way to restore international payments equilibrium is to change the exchange rate. The same factors apply when important raw materials are discovered or become exhausted. Given the importance and the high price of oil, the consequences of the discovery or the exhaustion of oil or natural gas deposits are obvious; but the same mechanism applies to other raw materials.

The conclusion is that exchange rates must vary. As far back as 1972, in their second report, the Executive Directors of the Fund had indeed reached such a conclusion, and proposed a system of "prompter and therefore smaller par value changes."[14]

Since then two things have happened. Speculative transactions on a scale that would previously have been considered out of the question have in fact occurred, and have brought private institutions and individuals huge profits at the expense of the taxpayer. The theoretical possibility of riskless speculation, referred to above, has been discovered by practical businessmen controlling vast sums of money. Moreover, even after the repeated and widespread realignments of currency parities in the years 1971–73, the respective currency values have continued to vary under the flexible exchange rate arrangements that ensued. In short, what was left of the "stability illusion" about exchange rates is gone and the likelihood of speculative capital movements has correspondingly increased.

[14] *Reform of the International Monetary System*, p. 18.

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Secondly, the likelihood that governments will in fact proceed promptly with small parity changes has been called into question. Let me quote C. J. Oort:

> I am afraid that this is unrealistic, unless special measures are taken. No government will on its own initiative go through the politically difficult process of parity adjustment for a change of less than, say, 5 percent. Moreover, it will not change the parity until it is convinced that at least the direction of change is right. No government wants voluntarily to put itself in a position of having to reverse a decision of that kind within a period of, say, two years. Left to themselves, governments will continue to take *delayed, discontinuous* action on parities. . . . In order to change the parity, governments . . . need solid evidence, which by definition comes too late for prompt action.[15]

Professor Haberler has gone one step further and argued that the knowledge that there will be frequent changes in par values makes such a regime "the most unsettling system of all," unless the changes are minuscule (1–2 percent) as in the Brazilian system, and the arrangement closely resembles managed floating.[16]

The conclusion therefore is that we cannot have fixed exchange rates, or even stable but adjustable par values, however nice and orderly it would be to have them. But unchallengeable as this conclusion may seem in the light of experience and analysis, it is by no means shared by the majority of policymakers, many of whom dream of "advancing" again step by step to a par value system. The author would, on the contrary, be inclined to warn against the danger of the "degeneration" of present exchange arrangements toward a de facto par value system which must inevitably lead to new currency crises. The lira, which has just made headlines as I write, in mid-February, is a case in point. Although nominally floating, its exchange rate was in fact stabilized. When circumstances changed and the rate had to be adjusted, the authorities waited until after large amounts of money had left the country at the old rate, subsidized through official intervention by the Italian taxpayer. However, once the Italian authorities did let the exchange rate of the lira find its own level, speculation against the lira stopped. At the time of writing, speculative fever is still being suffered only by the currencies participating in the European snake, that is to say the currencies of the countries that have decided to maintain among themselves a Bretton Woods exchange rate system on a small scale.

Must we therefore let exchange rates go where they will on the theory that market forces know best, as the majority of the academic community and, with minor qualifications, the present U.S. Administration are advocating?[17] I certainly do not think so. Like the interest rate, the exchange rate is what economists call an instrument of policy. That is to say, both are economic variables the level of

[15] C. J. Oort, *Steps to International Monetary Order, The Exchange Rate Regime of the Future,* The Per Jacobsson Foundation, IMF, Washington, D.C., 1974, pp. 13 and 28. Dr. Oort, the Treasurer-General of the Netherlands' Ministry of Finance, but giving the annual lecture emphatically in his personal capacity, after a thorough and most stimulating analysis comes down squarely in favor of "managed floating."

[16] Gottfried Haberler, "Recent Crises and How They Were Dealt With," in *Approaches To Greater Flexibility,* cited in footnote 6, p. 117.

[17] See *Correspondence between Representative Henry S. Reuss and Secretary of the Treasury William E. Simon,* Press Release of the Joint Economic Committee, Washington, D.C., February 4, 1976. See especially Secretary Simon's answers to questions 2 and 3 in his letter of February 3, 1976, pp. 5–6.

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which can be easily influenced by official action, not for its own sake, but for the beneficial influence it has on other, more important economic variables, such as inflation, unemployment, international payments equilibrium, the structure of the balance of payments (i.e., a surplus on current account for industrial countries to finance aid to developing countries), etc.

Given this important role of exchange rates, and the fact that they by their nature express the relation between one country's currency and that of another country and therefore *must* be a matter of international concern, the Executive Directors of the Fund at an early stage adopted "Guidelines for the Management of Floating Exchange Rates."[18] Since floating is illegal under the present Articles, observance of the guidelines could then only be recommended.

The proposed Amended Articles agreed at Jamaica, on the contrary, stipulate that "the Fund shall exercise firm surveillance over the exchange rate policies of members, and adopt specific principles for the guidance of all members. . . ."[19] This means that the Fund will get authority to adopt binding guidance instead of mere recommendations (taking its decisions, of course, according to its prescribed and established procedures), and also authority to give such guidance not only to floaters, but also to countries with other exchange rate regimes, such as pegging to a single currency or to a composite (or basket) of currencies including the SDR, or to countries floating jointly under mutual intervention arrangements such as the European "snake."[20]

This naturally fits in well with the decision taken at the time of the Rambouillet meeting to put in place an improved consultative mechanism with regard to possible intervention on exchange markets, involving not only the central banks, but including the Deputies to Finance Ministers, and, at times, the Ministers themselves. Such consultation already existed among the countries participating in the European "snake"; now it will extend to exchange rate relationships among the dollar, the snake currencies, and the yen.

My conclusion regarding the agreement on exchange arrangements is on balance positive, for it contains at least the possibility of positive future evolution. It is true that the old Articles comprised an exchange rate *system,* whereas the amended Articles only contain rules by which the Fund will monitor and guide whatever exchange arrangements the members care to choose. But the old regime had become unworkable, and it was no longer observed. The proposed amendment legalizes the existing situation, which is one of its aims. But more than that, both legal and institutional arrangements are to be put in place to permit at least experimentation with a system of managed floating among the major currencies.

We are far from agreement on how to operate such a system. On the one hand, we must guard against the temptation to move the system back to a de facto par value system, an attempt that—even if temporarily successful—is bound to fail over time for reasons already amply explained. On the other hand, we cannot throw away such an important instrument of economic policy as the exchange rate, and leave exchange developments almost exclusively to market forces as Secretary Simon seems to have in mind. In particular, it seems unacceptable to have

[18] The guidelines can be found in the *1974 Annual Report of the Executive Directors,* IMF, Washington, D.C., pp. 112–16. They were adopted on June 13, 1974.

[19] Article IV, Section 3 (b).

[20] Various exchange rate practices have been classified in the *1975 Annual Report of the Executive Directors,* IMF, Washington, D.C., pp. 23–24.

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exchange rates jump up and down in response to temporary divergencies in monetary policy, as the Secretary is clearly willing to allow.[21] This would amount to a haphazard granting of windfall profits and imposing of penalties on export and import industries. Both the monetary policies and policies for intervention in the exchange markets of the main industrial countries will have to be shaped and coordinated to avoid such senseless results. Other questions and problems will no doubt arise. But at least the machinery has been created which allows constructive experimentation by forward-looking policymakers in a cooperative spirit.

Nevertheless, it must not be forgotten that opinions on what future system to aim for still differ widely and fundamentally, and that even de facto experimentation with managed floating is not possible for any length of time without some agreement on the settlement between monetary authorities of the claims and debts that would result. As we shall now see, on this question no agreement whatsoever has been reached.

IX

The discussions regarding reserve assets centered mainly on gold, and took place almost exclusively among the large industrial gold-holding countries.

It is well to keep in mind two considerations that help explain the differences in attitude towards gold between Europe and the United States. First, most European countries, France not in the last place, have a long history of currency debasement. As a result, private holding of gold as a hedge against loss of value of the currency is widespread and deeply engrained, a circumstance that inevitably affects the attitude of policymakers. In the United States, no such deeply felt interest exists, as became evident last year when the prohibition against the private possession of gold was lifted.

Secondly, in a world increasingly dominated, contrary to popular belief, by the dollar, the European monetary authorities seek some countervailing force, and have, in the absence of something better, come to depend for this purpose on keeping some monetary role for gold. The U.S. authorities similarly see gold as a competitor with the dollar, an undesirable feature from their point of view. Gold moreover reminds them of the final days and years of the Bretton Woods system, when they were increasingly unable to meet freely their commitments to convert dollars into gold, and were consequently lectured by their European colleagues about the shortcomings of their policies. As we have seen, the real cause of the difficulties was inherent in the gold-exchange system, which in the end inescapably leads to an overvaluation of the reserve currency, an overvaluation that neither the U.S. nor the European authorities were ready to correct in time.

The present Articles of Agreement of the IMF forbid monetary authorities from buying gold at a price higher than the official price.[22] As the gold price on the free market rose further after 1971, reaching multiples of the official price, the gold holdings of the monetary authorities in effect became unusable. One could not, in fairness or in practice, continue indefinitely to prohibit central banks from dealing at a realistic price in a commodity of which they possessed huge quantities.

[21] See his answer to question 2 in *Correspondence* cited in footnote 17, at p. 5. The Subcommittee on International Economics of the Joint Economic Committee seems, at least by implication, to come close to the same point of view. See *Correspondence,* in particular the recommendation of the Subcommittee quoted by Representative Reuss in question 5 of his letter of January 28, 1976, p. 5.

[22] *Articles of Agreement,* Article IV, Section 2.

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The real question was whether the prohibition would be lifted in such a way as to enhance the monetary role of gold, or on the contrary under rules and safeguards that would ensure its phasing out as a monetary instrument.

Plainly the monetary role of precious metals is an anachronism, dating to pre-industrial times. As our economies expanded under the impact of the Industrial Revolution, the money supply embodied in the precious metals had to be supplemented by paper money of various kinds. The nineteenth-century gold standard was the system that purported to ensure that this paper money behaved as if it were gold itself. The gold standard, often considered to be the zenith of the monetary role of gold, is therefore more properly regarded as the beginning of the phasing out of that role. For as the quantity of paper money in circulation grew and far surpassed the quantity of gold in circulation, it became the value of the paper money that determined the value of gold, and not the other way round.

The monetary disturbances connected with the First World War and the Great Depression further reduced the significance of gold. Instead of basing their policies on movements in the monetary gold stock, governments came to assume responsibility for reasonable price stability, full employment and economic growth in ways affected to a considerable extent by the theory developed during the Great Depression by Lord Keynes regarding the determination of the level of economic activity. I know of no serious writer who today advocates that governments should turn back the clock in these respects.

While the phasing out of the monetary role of gold is thus historically inevitable, already far advanced, and in the long run unaffected by decisions taken now, from a practical point of view these will most decidedly affect events in the immediate future. Which way have the decisions gone?

What was decided in August 1975 was not to increase but instead to abolish the official price of gold; this will permit monetary authorities to engage in gold transactions at any price they see fit. It was further decided to eliminate all obligations to use gold in transactions with the Fund, and that the Fund would sell one-third of its gold holdings (in a way to be described). Moreover, the countries in the Group of Ten[23] agreed to certain arrangements, outside the Fund Articles but to which other Fund members may adhere, of which the three essential paragraphs are as follows:

1. That there be no action to peg the price of gold.

2. That the total stock of gold now in the hands of the Fund and the monetary authorities of the Group of Ten will not be increased.

. . .

5. That each party agree that these arrangements will be reviewed by the participants at the end of two years and then continued, modified or terminated. Any party to these arrangements may terminate adherence to them after the initial two-year period.[24]

Agreement on these latter arrangements was reached on the presidential yacht *Sequoia* among the Finance Ministers of the United States, France, Germany, the United Kingdom and Japan on August 30, 1975. In essence, it is identical to the agreement reached among the EEC Ministers in Zeist in the Netherlands in the spring of 1974.

[23] The United States, Japan, Canada, the United Kingdom, Germany, France, Italy, the Netherlands, Belgium and Sweden.

[24] Press Communiqué of the Interim Committee, August 31, 1975. Press communiqués of the Interim Committee are reproduced in the annual reports of the International Monetary Fund.

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The question of pegging or stabilizing the price of gold is decisive for its future monetary role. Without official intervention the gold price is likely to fluctuate sharply, as during the past years, just like the price of other commodities. But this very price instability makes gold unusable as a monetary asset. There are only some seven central banks that have large gold holdings. Their Governors know each other very well and have a tradition of close and cordial cooperation. If two of them were to conclude a gold transaction between them in a volatile market, the likelihood is that after a few months one Governor would have realized a sizable profit at the expense of the other. This is in clear conflict to their normal working relationships. Or, to put the matter in a more analytical way, it is not the business of central banks to engage in speculative commodity transactions. Without official stabilization of the gold price, gold is unsuitable as a monetary asset, and gold transactions are to be expected only in emergencies.

Whatever objections one might raise against the gold agreement, such as the huge unwarranted increase in international liquidity and the extremely unequal distribution of gold profits, its no-pegging provision would have speeded up the phasing out of gold's monetary role *but for paragraph 5,* binding countries to adherence to these provisions for two years only. The fact that the United States accepted this two-year limit is truly astounding, and did, in fact, astonish the international monetary community when it became known.

Why did the U.S. Treasury accept a two-year limit in the face of opposition from other U.S. monetary agencies and from many Treasury officials, after having fought for many years to reduce the role of gold? I do not claim to know the answer; perhaps it was the *gemütlichkeit* of the *Sequoia.* Or perhaps the reason is that the financial authorities of France and the United States, unable to reach agreement for years, had been put under a deadline to settle their monetary quarrels by a decision reached previously at the highest level at Martinique, in order to improve Franco-American relations; the very competent French negotiators, more used to working within guidelines laid down at the very top, simply got the better of it. A more charitable explanation is that the United States, in return for concessions on gold, eventually got most of what it wanted in the field of exchange arrangements. But while the U.S. concessions on gold may indeed have influenced the tone of the further negotiations on exchange rates, no specific commitments of any kind were given from the European side at the time of the gold agreement.

The U.S. defense of the agreement is that the American power to exert pressure in favor of renewal of the no-pegging agreement will be just as strong in two years' time as it was to obtain the agreement in the first place; and secondly, that it would be very risky in any event for a few European central banks to peg the price of gold thereafter in the face of strong U.S. opposition. For pegging at a low price might bring the new price soon again under speculative market pressure, while pegging at a high price would involve the risk that the United States might gradually sell its gold to the European central banks on most favorable terms.

I find these arguments less than fully convincing. The same power of the United States might have been used now to obtain a clause that the arrangements would continue to apply until agreement had been reached on their modification or termination. And in the context of the wide-ranging monetary negotiations of 1975 there was more room than there may be later for give-and-take elsewhere. As to the second argument, the European banks could intervene to stabilize the gold price adequately, without the risk of committing themselves irrevocably to a fixed peg.

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However this may be, the U.S. Congress will no doubt examine the matter further, for the gold agreement has already aroused considerable concern. It has even caused former Treasury Secretary Fowler to break with his policy of silence—designed, as he says, to avoid the posture of a Monday morning quarterback—and testify before Congress in opposition to the agreement, criticizing in particular the unsatisfactory and inconclusive combination of an abolition of the official gold price with the implicit absence of all restraints, after two years, on dealings in gold by central banks.[25] As Mr. Fowler explains, the abolition of the official gold price involves amendment of the Fund's Articles, an act which, given the IMF rules and the U.S. voting strength and legal arrangements, cannot become effective except with congressional authorization by law. The arrangements on gold among the Group of Ten are nevertheless likely to become effective this spring. Yet it may be the spring of 1977 before Congress gets around to seriously examining ratification of the proposed Fund amendments. By that time the special gold arrangements will have only one more year to run and the moment for renegotiation will have arrived. It would hardly be surprising if Congress were then to inquire how these renegotiations were proceeding.

Summing up, it has to be noted that the gold agreement does not even begin to resolve the real questions, namely the ultimate elimination of gold from the monetary system and the protection of the system in the meantime from the disturbances connected with the residual monetary role of gold. For the moment, the agreement is so indeterminate that it will take a couple of years to see more clearly how it will affect the role of gold in the next decade. Gold remains a semi-part of the monetary system. Yet it has become a speculative commodity with a thin market and a volatile price, and hence a source of monetary disturbances. The monetary authorities hold about one billion ounces of gold, which means that a price increase of only one dollar adds a billion dollars to international liquidity. No control over the volume of international liquidity will be possible without a further reduction of the monetary role of gold.

X

While the impact of the gold arrangements is uncertain, the opposite is true with regard to the dollar. In the past few years there has been a trebling of international liquidity if measured in dollars, from $78 billion at the end of 1969 to some $225 billion at the end of 1975. As Professor Triffin puts it, this means that in the years 1970–75 twice as much monetary reserves have been created as in all history since Adam and Eve.[26] There can be no doubt that this liquidity explosion has contributed to world inflation, at the very least because the overabundance of reserves has meant the absence of external incentives to combat inflation.

In these circumstances, there is no ground for adding even further to reserves by allocating SDRs. And with the position of gold uncertain, as a practical matter the dollar has emerged from the turmoil as the sole international money. With official

[25] Statement of Henry H. Fowler before the International Economics Subcommittee of the Joint Economic Committee, October 10, 1975, mimeographed, but due to be printed by the Committee, pp. 5 and 9–10. See also *Correspondence,* Letter of Representative Reuss, Dec. 24, 1975, pp. 1–3.

[26] The thrust of this evolution is not affected by the average 17–18 percent decline in the exchange value of the dollar vis-à-vis other currencies, the more so as gold holdings have been valued in these calculations at the official price, nobody being able to put a realistic value on them for the purpose of using them in the settlement of large payments imbalances.

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convertibility of the dollar suspended, and with no alternative monetary assets as meaningful competitors, the demand for credit is the only brake left on the creation of further international liquidity in the form of dollars.

The situation is aggravated by the consequences of the oil price increase and the activity of the Eurodollar market. The surpluses of the oil producers have their counterpart in unavoidable deficits elsewhere. This has led to an important shift in attitudes. The Fund's code of behavior has always emphasized policies designed to maintain or restore payments equilibrium. But in the changed situation, prestige accrues to those authorities that have borrowed large amounts of money early to finance the unavoidable deficits that everybody has to cope with. The Eurodollar market has been the place to undertake such borrowing.

Eurocurrency banking involves a subsidiary of a large banking institution, operating, for instance, in London and attracting deposits and giving loans in dollars. As such, it escapes all the regulations that apply to banking in the United States. Or a U.K. bank may escape British regulations by establishing a subsidiary in Germany, attracting deposits and granting loans in sterling. But unregulated credit markets have in the past always led to cycles of boom and bust, which also seriously affect the banking institutions operating in them. That is the very reason why national banking regulations were developed. There is no good way of telling when the danger point is reached; it comes when confidence suddenly evaporates.

Measures have been taken in the last few years to lessen these dangers. Nevertheless, the rapid expansion of the Eurodollar market means that it remains a weak spot, both from the point of view of solidity and from that of control over liquidity. The Jamaica agreement contains no provisions to deal with these problems.

The fluctuations in the price of gold since 1971 also made it necessary in 1974 to change the method of valuation of the SDR. At its inception, it was stipulated that one SDR "shall be equivalent to 0.888 671 gram of fine gold," the gold content of the dollar when it was still convertible. When the link between currencies and gold was severed through the suspension of convertibility, and the gold price started its wild rise, it was felt that the value of the SDR should follow that of the currencies, not of gold.

After considerable debate, in the end a most simple solution was adopted. The value of the SDR was linked to a "basket" of currencies. That is to say, one SDR has been declared to consist of 40 U.S. cents, 38 German pfennig, 4.5 British pence, 44 French centimes, 26 Japanese yen, and some smaller amounts of other currencies.[27] The value of the SDR in terms of the dollar is thus 40 cents plus the pfennig, pence, centimes, yen, etc., converted at the current rate of exchange. Similar calculations can be made for other currencies, and the SDR value in terms of currencies is published daily by the IMF and in many newspapers.

According to its inventor, J. J. Polak,[28] the basket-of-currencies technique of valuation was "an inevitable discovery" in a world of floating currencies. Yet the discovery had to be made. The EEC, struggling for years with its unit of account, never did so. It has now adopted a unit of account based on a basket of Community

[27] See J. J. Polak, *Valuation and Rate of Interest of the SDR,* Pamphlet Series IMF, Washington, D.C., 1974, p. 2.

[28] While Mr. Polak is the inventor of the present SDR valuation in the sense that he put the present system forward in an operational form, the earliest and most persistent proponent of the general idea of linking the value of the SDR to the value of a composite of currencies is the Dean of the Executive Directors, Dr. P. Lieftinck, who first advocated it as early as September 1971, i.e., right after the suspension of convertibility by President Nixon.

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currencies. Airlines are adopting the SDR as a basis for calculating their air fares, banks are floating loans denominated in SDRs, and an increasing number of countries peg the exchange value of their currency to the SDR. The SDR is thus gradually assuming at least one of the roles of money, that of a unit of account.

XI

We can be less detailed about a great many other questions that form part of the Jamaica agreement as I have broadly defined it.

At intervals of not more than five years the Fund must conduct a *general review of the quotas of members*. This time the main problem was to take account of the greatly increased importance of the major oil exporters in international trade. A rough-and-ready proposal was made to double their quota share from about five percent to about ten percent. The EEC Ministers supported this proposal, adding that the quota share of the other developing countries should be maintained, so that a corresponding reduction in quota shares and hence in voting power would have to be shared equitably among the industrial countries. As is often the case with common EEC positions, the position concealed a wide divergence of views. But the EEC countries confidently expected that their proposal would meet heavy opposition, especially from the United States, so that they could then fall back to their preferred individual positions.

As expected, the U.S. Secretary of the Treasury stated that he could not accept a reduction in the U.S. quota share, since the U.S. veto power on some important questions, such as amendment, would be endangered. But since virtually every other industrial country claimed that its quota deserved special treatment for specific reasons, and since the U.S. authorities did not repeat their statement, it was taken at less than face value. Consequently, to the surprise of the EEC countries, the Interim Committee in January 1975 adopted their formula for the quota share of the oil exporters and the other developing countries. The communiqué was silent about the quotas of the industrial countries, the EEC countries believing that the principle of some equitable distribution of the reduction in quota shares had been agreed, and the United States believing that its position on the maintenance of the U.S. quota share had been accepted.

When the misunderstanding was discovered, difficult negotiations ensued. But the concessions to the oil exporters and developing countries had been made and published. In the end a complicated readjustment of quota shares among industrial countries was agreed, involving some reduction in the U.S. quota share, but also an agreement that all decisions now requiring a majority of 80 percent should, under the amended Articles, require a majority of 85 percent, thus safeguarding the existing U.S. veto in these cases.

The other main question involved in the quota review was *the increase in the total resources of the Fund*. It was agreed that these should be increased by some 32.5 percent and rounded up to SDR 39 billion. The increase, as in previous general reviews, was much smaller than the increase in nominal trade and other relevant data. The arguments were, as before, that taking inflation into account would amount to condoning inflation, and that international liquidity was too large already. The latter argument errs in ignoring the difference between Fund credit and other liquidity, namely, that Fund credit is conditional upon the country taking measures to conform to the Fund's code of behavior.

This long-standing tendency has resulted in a serious decline in the real size of

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the Fund. In 1948, its total resources were $8 billion and world trade was $53 billion, so that the Fund's resources amounted to 15 percent of world trade. In 1977, when the new quotas are expected to become effective, the Fund's resources will amount to SDR 39 billion, while world trade is likely to be SDR 900–1,000 billion. The Fund's resources will then only amount to about four percent of world trade.

The results of this erosion are quite serious. A member's access to the Fund's resources, which is limited by its quota, nowadays often amounts only to an insignificant part of the deficit with which the member is faced. Consequently, members are less and less inclined to draw on the so-called higher credit tranches (or installments), for which the Fund demands a specific program of economic measures designed to restore payments equilibrium. Governments increasingly conclude that the Fund's limited credits no longer outweigh the political drawbacks of agreeing to such specific programs, and the Fund thus loses part of its power to monitor its code of behavior.

To return to basics, the correct policy would be to get control over the excessive creation of unconditional liquidity. In the light of the erosion that has taken place over the last 30 years, a trebling of the Fund's resources, perhaps in stages, would then be fully justified.

In 1974, the Fund instituted an *Oil Facility* to assist members in meeting payments difficulties resulting from the initial impact of the increased cost of oil imports. The facility was initially financed mainly by Fund borrowing from the major oil exporters and later also from industrial countries in surplus. The facility was renewed in 1975, and supplemented by a *Subsidy Account,* financed by voluntary grants, which is relieving the poorest members of part of the cost of paying interest on drawings on the facility.

As time went by, oil imports became less and less appropriate as a guideline for special Fund credits, especially as the deep worldwide recession began to have a serious impact on international payments. At the same time, the recession warranted some liberalization of the Fund's credit policies. At Jamaica it was agreed that for 1976 and until the effective date of the amendment increasing total quotas, total *access to the Fund's resources* would be increased from 100 percent to 145 percent of quota, each credit tranche (or installment) being increased by 45 percent so that the conditionality structure would remain unchanged. It is important to note that this measure is intended for all members, not specifically for the developing ones. In fact, according to newspaper reports, the first country to show interest in making use of the additional access has been Italy. In addition, mention is made of the "possibility of further assistance in exceptional circumstances." This refers to the possibility that some countries, having overextended themselves by excessive borrowing on private markets, may be faced with a withdrawal of funds. If this were to materialize, immediate and large Fund assistance might help to save the situation.

A further measure was a liberalization of the *Compensatory Financing Facility,* designed to help exporters of primary commodities which are faced with a sudden fall in export earnings. Changes were made to take account of the effects of inflation, while maximum access in terms of quota was increased.

A complicated matter was the decision to establish a *Trust Fund* to provide assistance on concessionary terms to members with a low per capita income (less than SDR 300 in 1973). This is part of the August 1975 decision to dispose of one-third of the Fund's gold. One-sixth (25 million ounces) will be "restituted," that is

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sold to members at the present official price, in amounts proportional to their present quotas. This decision was in response to a political demand, initially by France. Most of a second 25 million ounces will be transferred through a complicated legal technique to the Trust Fund and will be sold in public auctions at regular intervals over a four-year period. At the present gold price, some SDR 400 million, or $500 million, a year would thus become available—not a large amount.

An unpleasant quarrel developed over the time of implementation. All were agreed that restitution, gold sales by the Trust Fund, and freedom for central banks to purchase gold at market prices were linked, and should be implemented simultaneously. Some, however, wanted to implement these measures only after the amended Articles clearly granting such powers had become effective, thus avoiding what may be considered a resort to questionable legal techniques.

In the end, French insistence, faithfully supported by the U.S. authorities, that the arrangements be implemented forthwith, now that agreement had finally been reached, prevailed. In order to solve the problem of central bank gold purchases, the Bank for International Settlements, which, as a nonmember is not bound by the Fund's Articles, was interposed as an intermediary to buy and sell gold. However, the BIS has declared it does not intend to purchase gold for its own account, and it is not yet fully certain that early implementation will not after all give rise to difficulties, or to protests from Congress, which has been particularly prone in the past year to insist on the scrupulous observance of its prerogatives.[29]

This long list of measures and facilities means, in my judgment, that the Fund has gone about as far as it can in meeting the current payments difficulties. Specifically, at this point it is not easy to see how it could help further in the solution of the problems that are to be discussed at the North-South Conference in Paris. The Fund's task is to supervise the international monetary system and to give *temporary* assistance to help solve balance-of-payments problems. The Fund must not be and is not becoming a development finance institution. The Trust Fund should be recognized for what it is, an exception in a very special situation: the Fund is making a windfall profit on its gold holdings; similar windfall profits accrue almost exclusively to industrial countries, since developing countries hold little gold; in this situation there is a case for distributing the Fund's windfall profits among developing countries.

The developing countries maintain that a smooth-running monetary system is not an end in itself, but a means to promote growth. They have selected the wrong policy instrument to further their end, for unfortunately the monetary system cannot promote growth directly. An automobile cannot directly improve the spiritual or intellectual well-being of man, even though it can transport people to church, the concert hall, or the university. Similarly, a rational monetary system can only lead to a better functioning of the world economy with more opportunities for trade and aid, thus promoting growth indirectly.[30]

Finally, a great number of technical *amendments* to the Articles were approved by the Executive Directors. While not fundamentally affecting international mon-

[29] See *Correspondence, passim.*

[30] This short and rather harsh paragraph cannot, of course, do justice to the question raised, for even if monetary reform cannot attack the heart of the development problem, there are many measures of a different order that the Fund can and in part indeed has taken. For some further information on the current Fund policy in this field, see remarks by the Fund's Deputy Managing Director, William B. Dale: "Monetary Reform and the Developing Countries," February 17, 1976, Washington, mimeographed, in particular pp. 21–22.

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etary relations, they will greatly streamline the Fund's operations. A feature that may strengthen the SDR is that after amendment it can be used among participants by mutual agreement, without the present formal "requirement of need." This makes the SDR closer to real money and may thus have some effect on the system as a whole, although it will be far from sufficient to make the SDR "the principal asset of the system." Another feature of the technical amendments is the much greater use of enabling clauses, which will make it possible for the Fund to decide by an 85 percent majority of the total voting power on operations and transactions which are only described in general terms in the Fund's Articles. However, it is not very likely that these enabling clauses will affect the functioning of the monetary system in a significant way. But it is hoped that they will make it possible for the Fund to adapt more easily to changing circumstances.

It has been for years the opinion of the Fund's General Counsel, Joseph Gold, that greater flexibility in the Fund's Articles was needed, given the rapid evolution of international monetary relations.[31] This will now be achieved. Moreover, anybody comparing the present with the proposed Amended Articles of Agreement will recognize the common sense, great understanding of the basic economic and political interests involved, and the inventiveness based on legal scholarship with which the difficult task of redrafting the Articles has been performed. I have already pointed to the unique contribution of the Fund's Economic Counsellor, J. J. Polak, whose Sketch on Reform contained most of the basic ideas on which reform could have been built. If reform failed, it was not because ideas and policy advice were lacking.

XII

The basic significance of the Jamaica agreement is threefold. First, the Ministers at last recognized that fundamental changes had in fact taken place in the international monetary arrangements, and based their agreements on the actual situation, not on what they hoped it would be in the future. Secondly, they legalized the actual situation by amending the Fund's Articles so as to make them conform to it. And thirdly, they agreed to a number of changes that will improve the functioning of the Fund in important ways, but which will most likely affect the functioning of the monetary system itself in a very limited way only. An important fourth element, though not formally decided upon, is the evident desire to maintain the Fund's code of behavior in international monetary relations, in particular the avoidance of restrictions and competitive exchange rate depreciation, and the continuation of the Fund as a center for international monetary cooperation and consultation.

Thus the system was not changed by positive action in ways advocated either by the authorities, or by the academic community, or by the Fund; instead it changed itself in significant respects under the pressure of events. The most important change was the greatly increased flexibility in exchange rates, either in the form of floating or in that of a greater readiness to change whatever peg a particular country maintains for its currency. This has improved the adjustment process and the possibility of maintaining international payments equilibrium.

Closely connected is the fact that floating has in fact stopped the unwanted

[31] See, for example, Joseph Gold, "The Amendment and Variation of Their Charters by International Organizations," *Revue Belge de Droit Internationale* (Brussels), January 1973, p. 69 and especially pp. 75–76.

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liquidity explosion. As long as countries maintained a fixed exchange rate vis-à-vis an overvalued dollar, they had to buy dollars—and, after convertibility had been suspended in 1971, add them fully to their reserves in whatever amount was necessary to maintain that rate. Floating has radically changed this. In fact, since floating became general in 1973, the reserves of the industrial countries have remained roughly stable. The continuing liquidity creation, referred to above, has resulted from large increases in reserves of OPEC countries, and is thus connected with a basically temporary payments disturbance, the origin of which was extraneous to the international monetary system.

Moreover, floating has greatly reduced the size of speculative capital movements. The problem of speculation itself has been solved to a much lesser degree, since speculation now results partially in unwarranted exchange rate movements instead of in reserve movements and reserve creation.

Does this mean, then, that we can leave international monetary agreements as they are? I must strongly demur. First, official convertibility of the dollar remains suspended. In a sense this means that the United States can pay its debts with self-created money, and this has a direct impact on exchange arrangements, tending to a completely dollar-centered system.

Secondly, nothing has been agreed about the exchange rate system. While the opportunity exists for fruitful experimentation with managed floating, the opportunity may well be missed, and exchange rate disorder could result, which would carry with it the danger of trade and payments restrictions.

In the field of reserve assets no concrete action has been agreed upon that would in fact make "the special drawing right the principal reserve asset in the monetary system," so that this language in the amended Articles and the communiqués of the Interim Committee has a hollow tone. The gold question remains basically unresolved and will continue to create problems. Most important of all, a system in which each country obtains the amount of reserves it prefers through borrowing and exchange rate manipulation, and in which total reserve creation is thus demand-determined, is bound to reinforce the inflationary tendencies in the world.[32] We touch here on a problem that was most thoroughly examined during many decades of the nineteenth century, when national paper money evolved. On the basis of both theoretical analysis and practical experience, the principle of demand-determined growth for the national money supply has been rejected. Indeed, the proposition that the international money supply is also in need of some central regulation is in conformity with the most elementary common sense.

The problem of control of international liquidity is therefore an urgent unsolved question. It is closely connected with the problem of the settlement of claims and debts under a system of managed floating. With fixed exchange rates no coordination among national authorities was necessary: one bought or sold as much foreign exchange as was needed to maintain the fixed rate, and for the settlement of balances thus acquired, there existed a well-established principle, namely convertibility. With free floating there is equally no need for coordination, for the authorities buy or sell no foreign exchange at all.

But under managed floating, close and daily agreement is necessary on the trade-

[32] The Managing Director of the Fund, Dr. H. J. Witteveen, in a speech on October 28, 1975, drew attention to the inflationary dangers implicit in the present regime of demand-determined growth of both official and private international liquidity, and made some interesting suggestions that may perhaps someday constitute the beginning of a new approach to the control of at least official liquidity.

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off between the amount of intervention and the size of the movement in the exchange rate. Without such detailed coordination there is the clear danger that the authorities presented with balances denominated in their currency for settlement (i.e., payment) will say: "You should not have intervened so heavily, but you should have let the rate move further. Hence we will settle only half of these balances."

Strangely enough, rather little attention has as yet been given to this urgent and practical problem. It may even be that no adequate solution can be found to the question as I have stated it, so that alternative approaches may have to be explored. One might be for each country to carry out intervention in its own exchange market with SDRs. However this may be, study is urgently needed to bring out politically acceptable and technically possible solutions.[33]

The Jamaica agreement can therefore be characterized as "unfinished business." Yet for the moment there is little interest in further reform. At least as long as important oil surpluses remain, the world recession has not yet been overcome, and the Fund amendments are not ratified, the inclination will most likely be to follow the 1974 recommendation of the Committee on Reform and "begin an evolutionary process of reform."[34]

In the past, spontaneous monetary evolution has been the rule rather than the exception. But the results have been far from satisfactory. The spontaneous adoption of the gold standard by most of Europe shortly after 1870, largely a matter of prestige, led to what we would now call a shortage of liquidity, resulting in slow business and falling prices in the two decades that followed. This liquidity shortage continued until it was relieved in the 1890s by the gold from the newly discovered gold mines in Transvaal. And we have seen above how the spontaneous evolution of the gold-exchange standard led to its collapse twice in 40 years, involving the pound in 1931 and the dollar in 1971. I note in passing that the unwarranted sudden adoption of the gold standard in the 1870s and the breakdown of the gold-sterling standard in 1931 led to or reinforced deflation, while the breakdown of the gold-dollar standard in 1971 further reinforced inflation.

The conclusion is that the evolutionary process will not lead to acceptable, let alone optimal reform,[35] although an exception must perhaps be made for cases in which dogmas stand in the way of change that has become unavoidable, like recently in the exchange rate field. Nor will it grant us the opportunity to decide in calmer times, when we hope to see more clearly, how to solve the problems that now face us. After a thorough historical study of the subject Mertens has concluded:

> It has definitely been one of the most tenacious illusions of the authorities to believe that by postponing final decisions and by resorting to temporary and emergency measures, they were preserving their freedom of action for the future. But we have repeatedly noted, on the contrary, that the authorities, in so doing, found themselves being carried along by these temporary measures in a development that led to results which they had by no means expected or wanted.[36]

[33] See the speech by Dr. Witteveen cited above. However, even under his approach the problem of how to combine asset settlement with managed floating remains to be solved.

[34] *Documents,* p. 222.

[35] Cf. Tom de Vries, *An Agenda for Monetary Reform,* Essays in International Finance No. 95, Princeton, 1972, pp. 1–3.

[36] Jacques E. Mertens, *La Naissance et le developpement de l'etalon-or, 1696–1922,* [The *Origin and Development of the Gold Standard, 1696–1922*], Louvain: Editions Warny, 1944, p. 356 and *passim.*

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XIII

How did we get into the present unsatisfactory state of affairs? The most fundamental answer goes far beyond the realm of monetary affairs. We have here a particular manifestation of the general problem that the changes in our society are so rapid that neither our institutions nor our mental attitudes are fully able to keep up with them. More in particular, we have here a clear example of a situation in which the national state has outlived its usefulness. National governments cannot manage an international monetary system. Yet we need such a system, for trade and the multinational corporation have internationalized important parts of economic activity.

This need is not new; the necessity for some international monetary management has existed for at least a century. Accordingly, we find a strong tradition of cooperation between national central banks going back well into the nineteenth century. Important though this tradition is, it must have become evident from the preceding pages that our institutional structure simply lacks the efficiency to deal adequately and promptly with the international monetary problems that present themselves. The difficulties flow in part from the tendency of the authorities to give far too great weight to their current economic problems. For instance, creditor countries want a tight system in which they will have to give little credit, and debtor countries take the opposite position. But, over time, balance-of-payments positions change. As my mentor at the Netherlands' Bank, Professor Posthuma, used to say: "I have heard all the arguments before; only the countries using them change from time to time." When countries negotiate about a long-term goal, like restructuring the international monetary system, such preoccupation with short-term problems obviously hampers real progress.

Such efficiency as exists in our present setup is moreover likely to be undermined by a tendency, noticeable in the past few years, to politicize monetary problems. Political influence can be a very positive factor. Dr. Lieftinck relates that, during his term of office as the Netherlands Minister of Finance, whenever the negotiations to establish Benelux got seriously bogged down, he insisted on the presence of the Ministers of Foreign Affairs, since they represented the political will to succeed. But the present tendency towards politicizing monetary questions seems at times rather more designed to bring serious political differences to bear on monetary problems. I believe this will only delay agreement on rational solutions, and solutions must be rational to produce beneficial results in practice. The working out of practical solutions is therefore very distinct from the adoption of sweeping resolutions and the setting of unattainable goals, although these have their own role and significance in drawing attention to urgent questions.

The Managing Director of the Fund has recently drawn attention to the importance of a thorough and objective preparation of international discussion, and to the beneficial effects that periodic discussion at the most senior level in regular organs of limited size of established international organizations on the major policy questions facing these organizations can have under such circumstances.[37] This is a very different thing from ad hoc world conferences, or from two Heads of State meeting in Martinique to decide on the details of the future role of gold

[37] Statement by Dr. H. J. Witteveen, Managing Director of the IMF, at the United Nations, February 17, 1976, mimeograph, pp. 2–4. For the Fund, he draws attention to the interrelationship between the Cabinet-level Interim Committee, the Executive Directors as the Fund organ in continuous session, and the close and creative cooperation between the latter and the staff.

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in the monetary system.

Just as our institutions have a tendency to fall behind the march of events, so our fundamental beliefs do not always keep in step with the times. I have emphasized the tendency of many authorities to maintain faith in a system of fixed exchange rates when such a regime was no longer possible. Equally out of step with reality is the belief that the markets will solve our problems. Even at the height of nineteenth-century laissez-faire the British economist Walter Bagehot observed that "money will not manage itself." Market forces will not provide us with the institutions and rules we need for a rational monetary system.

Finally, our lack of progress is due to a feeling on the part of the United States that it has lost much of its power to influence events. In the field of international monetary affairs such a feeling is completely unwarranted. The dollar is now practically without a rival as an international means of settlement. This gives the United States enormous power.

It is true that the U.S. authorities may continue to decide to use this power for narrow national advantage. There is the benefit of what economists call seignorage, the profit that the Sovereign extracted when he allowed precious metals to be coined, and that in modern conditions flows to the banking system when it creates international money by granting credit. Moreover, while the individual depositor can exert no influence over a bank, the bank itself, combining individual deposits and granting large credits, wields considerable power.

No matter how responsibly the U.S. authorities behave in managing the dollar, the world is unlikely to put up indefinitely with a system under which these benefits flow almost exclusively to the United States. But, quite apart from this, it is my hope that some day during the next ten years or so, a U.S. Secretary of the Treasury will break with this long-established American posture, recognize the golden opportunity for really meaningful action open to him, convince his President as Mr. Fowler did in the 1960s, and decide to use the many powerful trump cards that the position of the dollar in the world has provided him with to start negotiations designed to rebuild a rational international monetary system for the benefit of all.

Until that day, the monetary authorities are likely to remain busy patching up the consequences of the latest disturbance produced by the present international monetary disorder.

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COMMENT AND CORRESPONDENCE

To the Editor:

In his article in the January 1976 issue Bayless Manning describes, with striking accuracy, the low regard the majority of Third World nations, most of which are authoritarian, have for the United States today. He portrays equally well American idealism, some would say self-deception, which still persists as to the kinds of governments likely to come to power in these countries in the wake of decolonization.

After such telling perceptions, it is difficult to understand how he can conclude that these very nations, in the not too distant future, will somehow find cause to prize individual liberties and, as he graphically puts it, rediscover "the banners for the next round of progressive change . . . safe in Philadelphia."

I strongly doubt it. The coercive force of most of these authoritarian governments is so powerful and the corruptive elements so pervasive, that only a dreamer can foresee the possibility of an operative political system in which individual freedom might flourish in the vast number of them. Nor does this seem likely in the Soviet Union and the People's Republic of China, which Manning also foresees as nations whose citizenry will be in hot pursuit of political rights. The circumstances which produced the American constitutional scheme limiting the powers of the central government were unique and persisted for but a brief time in the late eighteenth century; they are certainly not replicated today in most parts of the globe. Indeed, it is truly remarkable that nearly 200 years later most Americans—though clearly not all—continue to hold dear the institutions of government spawned by those particular events. Numerous commentators now argue that our devotion to individual liberties cannot persist for long in the face of the post-industrial strains with which we are all too familiar, and some even insist that individual liberty is all but dead in America today. Whatever the merit of this position, the American situation differs profoundly from that of the Third World.

Manning's major premise rests on the assumption that these Third World nations have not discovered our brand of individual rights because America herself has failed to achieve equality for all her people, particularly those of minority background. But even if the United States did achieve fully the equality of results which Manning would desire, and this presumably without injury to liberty as we know it, there is no reason to believe that this event, standing alone, would make various Third World nations less repressive or more freedom-loving. And, for that matter, it cannot safely be said that these Third World countries, in light of our great accomplishment, would then view us positively and, therefore, once again, emulate our better characteristics. Moreover, achieving full equality while preserving liberty is a task of such enormity that one can only marvel at Manning's unstated assumption that it can in fact be accomplished.

Economic, political and social forces dominant in the world today bode badly for the emergence of governments determined to protect individual rights through restraints on the power of their leaders. Hopefully, we in the United States shall persist in our somewhat sporadic resistance to abuse of governmental authority, relying, as we do, on the tenacity of those called upon to defend constitutionalism on a daily basis. But that alone cannot serve as an adequate underpinning of our foreign policy toward authoritarian regimes, as Manning suggests. If I am right in my view that repression in most places will breed further repression, the United States does have hard choices to make in response. It can opt to use its power

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and leverage to ameliorate the effects of repression wherever possible at a cost deemed tolerable to us in the given circumstance. We can, after all, refuse to give military aid to Chile in an effort to force that government to cease torture and brutality toward its citizens. We can use the "weapon" of wheat to bargain for emigration or religious rights for many Soviet citizens. We can make release of political prisoners a condition for our recognition of the Castro government. And should it prove necessary once again, we can use military force to destroy any totally criminal government which might threaten the peace of much of the world.

Being true to ourselves at home—a goal which is correct in itself and to be pursued because it responds to our historic and prized commitment to liberty—will not solve the thorny problem of deciding how to deal with authoritarian or repressive foreign governments. Speaking out against them at the United Nations and elsewhere is one option among many, though it, too, is not an end in itself. Manning correctly avers that the question is not whether there should be *some* ideological component in foreign policy, but whether that component should be greatly enlarged or made predominant. But his article fails to answer the question posed. The author unfortunately escapes the problem by a wishful assertion that individual liberties will be discovered anew in many Third World nations, despite the obvious fact that historic forces are leading most of these nations in just the opposite direction. Whether the United States wishes to attempt to stem the tide, and, if so, by what means, is the issue to be debated, lest our foreign policy be further divorced from the intrinsic values we seek to perpetuate in world affairs.

RITA E. HAUSER
Former U.S. Representative to the U.N. Commission on Human Rights

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RECENT BOOKS ON INTERNATIONAL RELATIONS

Edited by Elizabeth H. Bryant

General: Political and Legal

Robert Gilpin

FOREIGN AFFAIRS BIBLIOGRAPHY: A SELECTED AND ANNOTATED LIST OF BOOKS ON INTERNATIONAL RELATIONS, 1962–1972. By Janis A. Kreslins. New York: Bowker (for the Council on Foreign Relations), 1976, 921 pp. $42.50.

The fifth and, regrettably, last in the *Foreign Affairs Bibliography* series prepared under the auspices of the Council on Foreign Relations, this volume constitutes a superb and irreplaceable reference work in the field of international relations. Divided into three major sections (General International Relations, The World Since 1914, and The World by Regions), and exhaustively researched, it contains annotated references to 11,000 works in the major European and non-European languages. We are all in Mr. Kreslins' debt.

THE CULTURAL CONTRADICTIONS OF CAPITALISM. By Daniel Bell. New York: Basic Books, 1976, 301 pp. $12.95.

The theme of this erudite and important diagnosis of the crisis of Western civilization is the increasing divergence between the capitalistic economic system and emergent cultural-political values.

THE LUSITANIA DISASTER: AN EPISODE IN MODERN WARFARE AND DIPLOMACY. By Thomas A. Bailey and Paul B. Ryan. New York: Free Press, 1975, 383 pp. $10.95.

In a thorough and painstaking investigation of the major event which helped draw the United States into the First World War, a distinguished diplomatic historian and an American naval officer separate myth from fact and seek to determine what really happened.

TWILIGHT OF AUTHORITY. By Robert Nisbet. New York: Oxford University Press, 1975, 287 pp. $10.95.

A learned and penetrating analysis of Western society, in which Nisbet traces the decline of the West to the rise of welfare and warfare state bureaucracies. For this conservative libertarian, salvation lies in the revival of kinship, localism, laissez-faire, and true citizenship.

THE MODERNIZATION OF JAPAN AND RUSSIA: A COMPARATIVE STUDY. By Cyril E. Black and others. New York: Free Press, 1975, 386 pp. $17.95.

The product of intensive and fruitful collaboration among historians, economists, and sociologists, this study is not only a major contribution to the literature of modernization, but it stands out as a landmark of comparative and multidisciplinary social scientific study. Free of jargon and well-written, it should interest specialist and generalist alike. Excellent bibliography.

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IDEOLOGY AND THE IDEOLOGISTS. By Lewis S. Feuer. New York: Harper & Row, 1975, 220 pp. $10.00 (Paper, $3.95).

Ranging from the Mosaic myth and Marxism to feminism and Negritude, this perceptive analysis of ideology is not only an important contribution to the subject, but also makes for fascinating reading.

THE POLITICS OF PLURALISM: A COMPARATIVE STUDY OF LEBANON AND GHANA. By David R. Smock and Audrey C. Smock. New York: Elsevier, 1975, 369 pp. $12.50.

A valuable study of the increasingly important problem of ethnicity and inter-ethnic conflict, though dated by recent events in Lebanon.

NEW STATES IN THE MODERN WORLD. Edited by Martin Kilson. Cambridge: Harvard University Press, 1975, 254 pp. $15.00.

An excellent collection of essays, written in honor of the distinguished authority on colonialism, Rupert Emerson, which analyze the impact of the colonial experience on new states, and the problem of integrating these states into the international system. Specific examples are taken from nations in Africa.

MODERN POLITICAL GEOGRAPHY. By Richard Muir. New York: Halsted Press, 1975, 262 pp. $16.50.

A concise and intelligent survey of a subject too much neglected by contemporary students of international relations.

IN THE FORECASTERS' MAZE. By E. Arab-Ogly. Moscow: Progress Publishers, 1975, 254 pp. (Chicago: Imported Publications, distributor, $2.25, Paper).

According to this spirited critique by a Soviet scholar, futurology, the new-left movement, the limits-to-growth thesis, and related Western intellectual phenomena are but reactionary efforts to reconcile the working masses with state-monopoly capitalism. Exceptionally well-informed and, on balance, remarkably non-ideological, the author has a lot of interesting things to say.

INTERNATIONAL BUREAUCRACY: AN ANALYSIS OF THE OPERATION OF FUNCTIONAL AND GLOBAL INTERNATIONAL SECRETARIATS. By Thomas George Weiss. Lexington (Mass.): Lexington Books, 1975, 187 pp. $14.00.

A critical evaluation of international administration which calls for reforms leading to the creation of an impartial and dedicated global civil service. Based on case studies of the ILO and UNICEF.

SOCIALISM IN THE THIRD WORLD. Edited by Helen Desfosses and Jacques Levesque. New York: Praeger, 1975, 318 pp. $16.50 (Paper, $6.95).

A good collection of essays on selected socialist-oriented countries in Latin America, Africa, and Asia.

THE POLITICS OF THE WESTERN INDIAN OCEAN ISLANDS. Edited by John M. Ostheimer. New York: Praeger, 1975, 260 pp. $17.50.

A useful survey of present and potential ministates of the area, such as Mauritius, the Maldives, the Seychelles, and the Comoro Islands.

RADIO POWER: PROPAGANDA AND INTERNATIONAL BROADCASTING. By Julian Hale. Philadelphia: Temple University Press, 1975, 196 pp. $12.50.

Beginning with the Nazi model of radio propaganda, this well-written volume traces and evaluates the history of international broadcasting.

THE EUROPEAN CONVENTION ON HUMAN RIGHTS. By Francis G. Jacobs. New York: Oxford University Press, 1975, 286 pp. $19.00.

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A useful collection of documents on a neglected aspect of the European unification movement, accompanied by a brief historical account.

MEZHDURADNYE ORGANIZATSII: NEKOTORYE VOPROSY TEORII. By G. I. Morozov. Moscow: "Mysl," 1974, 336 pp.

A survey of the United Nations and other international (including nongovernmental) organizations in the context of contemporary international relations and the ideological struggle. J. C. C.

General: Military, Technological, and Scientific

Andrew J. Pierre

THE CONCORDE CONSPIRACY. By John Costello and Terry Hughes. New York: Scribner, 1976, 302 pp. $12.95.

Two British journalists knowledgeably review the tangled 15-year history of the Concorde—or should it have been called Discorde? Threading their way through the controversies in Britain and France, and the related SST debate in the U.S., they note the remarkable mix of considerations involving economic competition, ecological concern, "grandeur," and international rivalry which have affected the program. They argue that the Anglo-French aircraft industries believe that Concorde is "the essential spearhead in the attempt to break the U.S. domination and near monopoly of Western commercial aircraft construction." An extremely timely book.

MAKING THE MIRV: A STUDY OF DEFENSE DECISION MAKING. By Ted Greenwood. Cambridge: Ballinger, 1975, 237 pp. $15.00.

A sophisticated, close-up, yet jargon-free analysis of one of the most fateful strategic weapons decisions of the nuclear era. Greenwood knowingly identifies the multiple actors and complex considerations in the evolving decision process, dissects motivations and perspectives, and draws a set of useful propositions relating to the control of technology. One is that significant U.S. unilateral restraint in the rate of modernization of strategic forces—separate from formal arms control negotiations—is extremely difficult to achieve without strong management of the weapons development process by the Secretary of Defense.

THE ADVISORS: OPPENHEIMER, TELLER, AND THE SUPERBOMB. By Herbert F. York. San Francisco: Freeman, 1976, 175 pp. $6.95.

A brief, personal history of the secret, intense and fateful American debate over the making of the H-bomb. The author, who has been intimately involved in nuclear matters for three decades, believes that Oppenheimer's opposition to the "superbomb" was correct, and that the decision to proceed was a major missed opportunity for taming the arms race.

THE FUTURE OF THE U.S. SPACE PROGRAM. By Arthur L. Levine. New York: Praeger, 1975, 198 pp. $16.50.

The author, with NASA from its establishment in 1958 until 1972, believes that the space program is now adrift with few clear goals. He argues the need for civilian (rather than military) leadership in space activities in the post-Apollo era.

INCENDIARY WEAPONS. Stockholm International Peace Research Institute. Stockholm: Almqvist & Wiksell/Cambridge: MIT Press, 1975, 255 pp. $9.95.

A catalog of information on the history and effects of napalm and other incendiary weapons, whose use has grown during past decades. On-the-horizon weapons, such as chemical fire balls, will present frightening possibilities. This book should be of use in forthcoming negotiations on international legal conventions to prohibit some types of incendiary weapons.

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GERMANY AND THE POLITICS OF NUCLEAR WEAPONS. By Catherine McArdle Kelleher. New York: Columbia University Press, 1975, 372 pp. $15.00.

A perceptive and comprehensive analysis, elegantly presented, of the role of nuclear weapons in German politics and foreign policy from 1954 to 1966—years during which this question aroused expectations and concerns which were at the center of debates within the Atlantic Alliance.

AUSSENPOLITIK UND NUKLEARSTRATEGIE. By Martin Geiling. Cologne: Böhlau, 1975, 235 pp. DM. 64.

ADENAUERS SICHERHEITSPOLITIK, 1955–1963. By Hans-Gert Pöttering. Düsseldorf: Droste, 1975, 240 pp. DM. 48.

Both these West German books on postwar security policy review developments up to 1963. Geiling focuses on deterrence and the American strategic debate, while Pöttering deals more directly with German perspectives.

REVOLUTIONARY CIVIL WAR: THE ELEMENTS OF VICTORY AND DEFEAT. By David Wilkinson. Palo Alto (Calif.): Page-Ficklin, 1975, 229 pp. (Paper).

Using eight cases that range from Rome 83–82 B.C. to the 1949 Communist victory in China, the author carefully distills in a theoretical framework the political and military factors that decide the outcome of revolutionary civil wars. "The price of victory," he concludes, "is a movement towards a militant, centralized, autocratic, and repressive regime."

LIVING WITH TERRORISM. By Richard Clutterbuck. New Rochelle (N.Y.): Arlington House, 1976, 160 pp. $7.95 (London: Faber and Faber, 1975, £3.50).

A concise, fast-paced, but necessarily sketchy review of international terrorism by a former senior British officer with extensive experience in Singapore and Malaya.

CONTEMPORARY STRATEGY: THEORIES AND POLICIES. By John Baylis and others. New York: Holmes & Meier, 1975, 324 pp. $16.50 (Paper, $7.50).

A comprehensive introduction to the strategic literature, which displays a keen eye for what is lasting and significant and what is not.

NUCLEAR WEAPONS AND INTERNATIONAL BEHAVIOR. By Henry T. Nash. Leiden: Sijthoff, 1975, 172 pp. Gldrs. 39 (Reading, Mass.: Academic Book Services, distributor, $16.00).

A relatively brief yet accurate review of nuclear weapons in the East-West and European contexts, with some theoretical insights as to their impact on the balance of power.

TELL IT TO THE DEAD: MEMORIES OF A WAR. By Donald Kirk. Chicago: Nelson-Hall, 1975, 215 pp. $6.95 (Paper, $3.95).

A searing, skeptical look at the Vietnam War as seen by the G.I. in the jungles, by a recent Edward R. Murrow Fellow of the Council on Foreign Relations.

SERVICES SPÉCIAUX, 1935–1945. By Paul Paillole. Paris: Laffont, 1975, 565 pp. Fr. 59.

The author was in charge of counterespionage in the years prior to the fall of France, initiated clandestine activities in Vichy, and then joined de Gaulle in the liberation of his country. These memoirs detail the covert struggle against the German forces.

General: Economic and Social

William Diebold, Jr.

THE POWER OF NATIONS: THE POLITICAL ECONOMY OF INTERNATIONAL RELATIONS. By Klaus Knorr. New York: Basic Books, 1975, 353 pp. $16.95 (Paper, $6.95).

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This is a masterful treatise "in the old tradition of political economy," rare these days. It is very satisfying to see the comprehensive and systematic discussion of all forms of power and influence and the carefully measured assessment of their effects. Economic factors are seen as a necessary base for power but mostly not very effective instruments of coercion. Two long and judicious discussions of interdependence and the imperialism-neocolonialism issue stretch the framework a bit, but are of first-rate interest. (A shorter version, *Power and Wealth: The Political Economy of International Power,* appeared in 1973.)

THE DILEMMAS OF THE DOLLAR: THE ECONOMICS AND POLITICS OF UNITED STATES INTERNATIONAL MONETARY POLICY. By C. Fred Bergsten. New York: New York University Press (for the Council on Foreign Relations), 1976, 584 pp. $30.00.

At long last, this massive study of the possible futures of the dollar appears at a propitious moment. While there were times in the recent past when the shape of the future world monetary system seemed clear, that is not so now, and thus Mr. Bergsten's cost-benefit analysis of alternatives has real meaning, for foreigners as well as Americans. The study also contains a wealth of historical material.

INSIDE FOREIGN AID. By Judith Tendler. Baltimore: Johns Hopkins University Press, 1975, 140 pp. $9.95.

After a lull in the flow of foreign aid books, we now have an exceptionally interesting one. Drawing on her experience as an American aid official, the author shows convincingly how the conditions in which aid is given produce aims, attitudes and results quite different from those intended. The relations of giver and receiver, perceptions of what is scarce and what abundant, and the methods of calculating costs and benefits are all shown to be distorted by organization, bureaucracy, fiscal and legislative deadlines and the flow of informed and uninformed criticisms.

HIGHER OIL PRICES AND THE WORLD ECONOMY: THE ADJUSTMENT PROBLEM. Edited by Edward R. Fried and Charles L. Schultze. Washington: Brookings Institution, 1975, 284 pp. $9.95 (Paper, $3.95).

The most thorough study yet published of the impact of oil prices on the consuming countries and the international financial system comes to the conclusion that in the long run $10 oil "poses no significant threat" to growth or living standards provided the right policies are followed, preferably by the consuming countries acting together.

BEYOND THE ENERGY CRISIS. By John Maddox. New York: McGraw-Hill, 1975, 208 pp. $8.95.

ENERGY AND WORLD POLITICS. By Mason Willrich. New York: Free Press (for the American Society of International Law), 1975, 234 pp. $10.00.

Two useful additions to the burgeoning new library of energy. Maddox, the former editor of *Nature,* shows the same vigor with which he attacked *The Limits to Growth* in arguing that the jolt of the last few years should spur more sensible energy policies—including the development of nuclear power—to fuel growth. In a more cautious tone, Willrich, with the help of a number of specialists, systematically boxes the compass of economics, politics, security and environment, and says sensible things about the issues that arise.

INTERNATIONAL TRADE AND FINANCE: FRONTIERS FOR RESEARCH. Edited by Peter B. Kenen. New York: Cambridge University Press, 1976, 539 pp. $19.95.

A clutch of the finest eggheads in the field, assembled in conclave, assess what we know, what we ought to know, and how we might find out. A very valuable piece of work.

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THE GATT LEGAL SYSTEM AND WORLD TRADE DIPLOMACY. By Robert E. Hudec. New York: Praeger, 1975, 399 pp. $23.50.

This is a two-level book. Its many case studies of disputes, interpretations and other activities make more direct use of published records of an earlier period and thus provide a detailed account primarily for specialists. However, people interested in international cooperation and organization more generally will find much of interest in the interpretation of how GATT law was shaped by its origin in a consensus of like-minded officials and then altered as time passed. The author was a U.S. official during the Kennedy Round and now teaches law.

INFLATION, GROWTH AND INTERNATIONAL FINANCE. By Sir Alec Cairncross. Albany: State University of New York Press, 1975, 130 pp. $14.95.

One of Britain's leading economists, with much government experience, here addresses lay audiences on some fundamental issues, including flexible exchange rates and capital movements.

WORKER MILITANCY AND ITS CONSEQUENCES, 1965–75: NEW DIRECTIONS IN WESTERN INDUSTRIAL RELATIONS. Edited by Solomon Barkin. New York: Praeger, 1975, 408 pp. $25.00 (Paper, $6.95).

Nine country studies of Western Europe and North America plus two integrative essays by the editor make this a valuable survey of the causes, manifestations and aims of the "new activism" in labor movements.

INDUSTRIAL POLICIES IN WESTERN EUROPE. Edited by Steven J. Warnecke and Ezra N. Suleiman. New York: Praeger, 1975, 249 pp. $18.50.

National policies, the Community and the role of interest groups in a field of growing importance.

THE CHEMICAL AND PETRO-CHEMICAL INDUSTRIES OF RUSSIA AND EASTERN EUROPE, 1960–1980. By Cecil Rajana. New York: Praeger, 1975, 385 pp. + 534 tables, $55.00.

Descriptive, detailed and unique.

THE STRATEGY OF INTERNATIONAL DEVELOPMENT: ESSAYS IN THE ECONOMICS OF BACKWARDNESS. By H. W. Singer. Edited by Sir Alec Cairncross and Mohinder Puri. White Plains (N.Y.): International Arts and Sciences Press, 1975, 248 pp. $20.00.

After two decades of productive activity at the United Nations, Mr. Singer continues to concern himself with development problems at the University of Sussex, England. In these papers he deals with a dozen or more central and difficult issues.

EUROPEAN ECONOMIC INTEGRATION. Edited by Bela Balassa. Amsterdam: North Holland Publishing Company/New York: American Elsevier, 1975, 416 pp. $18.75 (Paper).

Five economists analyze the experience of the European Community and EFTA in trade, agriculture, monetary integration, and structural change, with Professor Balassa providing about half the text.

UNITED STATES AID TO GREECE: 1947–1962. By Francis F. Lincoln. Germantown (Tenn.): Professional Seminars, 1975, 201 pp. $10.00.

From before the Truman Doctrine until 1961, the late Francis Lincoln was closely involved in Greek affairs as an economic officer of the State Department. It is, however, history, not memoirs, that he has written in this succinct study. Looking back in the mid-1960s, he felt that both U.S. aid and Greek response had accomplished their aims.

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FOREIGN TRADE REGIMES AND ECONOMIC DEVELOPMENT. VOLUME VII: SOUTH KOREA. By Charles R. Frank, Jr., Kwang Suk Kim and Larry E. Westphal. New York: National Bureau of Economic Research, 1975, 250 pp. (New York: Columbia University Press, distributor, $15.00).

TRADE AND DEVELOPMENT IN KOREA. Edited by Wontack Hong and Anne O. Krueger. Seoul: Korea Development Institute, 1975, 253 pp.

The latest volume in the National Bureau's series on trade and exchange practices in developing countries takes a somewhat broader view than its predecessors. It strongly emphasizes the special factors of the Korean situation that may make conclusions about it not applicable to other countries. The other volume adds useful detailed trade studies.

GENERATING INEQUALITY: MECHANISMS OF DISTRIBUTION IN THE U.S. ECONOMY. By Lester C. Thurow. New York: Basic Books, 1975, 258 pp. $10.95 (Paper, $5.95).

Devastating criticism of conventional theories followed by the author's very original and often brilliant, but not always totally convincing, explanations of how wealth and earnings are distributed by the American economy. The results do not translate easily into policy.

FOREIGN INVESTMENT IN COPPER MINING: CASE STUDIES OF MINES IN PERU AND PAPUA NEW GUINEA. By Raymond F. Mikesell. Baltimore: Johns Hopkins University Press (for Resources for the Future), 1975, 143 pp. $8.95.

The studies deal in detail with the financial and other analyses that go into the decision to invest, and look at the bargaining positions of companies and host governments as well.

REAPING THE GREEN REVOLUTION: FOOD AND JOBS FOR ALL. By Sudhir Sen. Maryknoll (N.Y.): Orbis Books/New Delhi: Tata McGraw-Hill, 1975, 397 pp. $10.95.

Prescriptions, often remarkably concrete, for building development on agriculture, which requires spreading the green revolution. The author, a former Indian official, also served the U.N. in several functions.

The United States

Gaddis Smith

AMERICAN FOREIGN RELATIONS, 1971: A DOCUMENTARY RECORD. Edited by Richard P. Stebbins and Elaine P. Adam. New York: New York University Press (for the Council on Foreign Relations), 1976, 655 pp. $24.50.

A generation of readers has depended on the parallel annual publications of the Council on Foreign Relations, *The United States in World Affairs* and *Documents on American Foreign Relations*. Their usefulness was enhanced by their appearance shortly after the year covered. This large collection replaces the two former series by combining substantially expanded documentary content with editorial commentaries placing the documents in historical perspective and calling attention to matters inadequately reflected in the documents themselves.

A PEACE DENIED: THE UNITED STATES, VIETNAM, AND THE PARIS AGREEMENT. By Gareth Porter. Bloomington: Indiana University Press, 1976, 357 pp. $15.00.

A first-rate piece of contemporary diplomatic history: clear, well-documented, objective, and yet forthright in condemnation. The major theme is that between 1946 and 1975 great powers (France and the U.S.) consistently tried to undermine with force signed agreements which, if followed, threatened to undermine client regimes. The per-

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suasive pivotal argument is that the Christmas bombing of Hanoi and Haiphong by the U.S. in 1972 did contribute to the signing of the Paris accords of January 1973, not by coercing the North Vietnamese but by so undermining domestic and international tolerance for the Nixon Administration that it was forced to accept in January the very terms which it had rejected in October.

THE TIME OF ILLUSION. By JONATHAN SCHELL. New York: Knopf, 1976, 392 pp. $10.00.

A thoughtful and deservedly acclaimed meditation on the decade which in 1974 "finally brought the American Constitutional system to the edge of breakdown." The Vietnam War was fought, says Schell, to project the image of a tough unified nation. Democracy could survive only if opposition to the war was allowed its voices. Opposition undercut the image of unity. Hence, the crunch.

PRELUDE TO DISASTER: THE AMERICAN ROLE IN VIETNAM, 1940–1963. By WELDON A. BROWN. Port Washington (N.Y.): Kennikat Press, 1975, 278 pp. $15.00.

This survey, based almost exclusively on American sources, accepts and approves the official version of why the United States intervened in Vietnam, i.e. to thwart communist imperialism and protect freedom. The research for the earlier years is rather thin.

UNCERTAIN FRIENDSHIP: AMERICAN-FRENCH DIPLOMATIC RELATIONS THROUGH THE COLD WAR. By MARVIN R. ZAHNISER. New York: Wiley, 1975, 314 pp. $11.95 (Paper, $7.95).

A useful review of Franco-American relations from the eighteenth century to the present, based heavily on American sources. The concluding chapter is sympathetic to de Gaulle.

AMERICA AND THE ARAB STATES: AN UNEASY ENCOUNTER. By ROBERT W. STOOKEY. New York: Wiley, 1975, 298 pp. $6.95 (Paper).

A competent and much needed historical synthesis; especially useful for college courses. The author places considerable blame on the United States for the growth of an adversary relationship with the Arab states.

ALONG THE AFRIC SHORE: AN HISTORIC REVIEW OF TWO CENTURIES OF U.S.-AFRICAN RELATIONS. By RUSSELL WARREN HOWE. New York: Barnes & Noble, 1975, 197 pp. $22.50.

An uneven survey, with fragments of interesting material on the 1960s. A full, scholarly history of the relations of the United States and Africa needs to be written.

A CARTOON HISTORY OF UNITED STATES FOREIGN POLICY, 1776–1976. By THE EDITORS OF THE FOREIGN POLICY ASSOCIATION. New York: Morrow, 1975, 210 pp. $7.95 (Paper, $3.95).

An excellent collection, from Franklin's famous segmented snake ("unite or die") to caricatures of Kissinger. The introduction by Daniel P. Moynihan is good, but the running commentary seems to have been written for children.

BEYOND KISSINGER: WAYS OF CONSERVATIVE STATECRAFT. By GEORGE LISKA. Baltimore: Johns Hopkins University Press, 1975, 159 pp. $12.00 (Paper, $2.95).

An excessively conceptual analysis; tortured prose.

NIGHTMARE: THE UNDERSIDE OF THE NIXON YEARS. By J. ANTHONY LUKAS. New York: Viking, 1976, 626 pp. $15.00.

Highly recommended for those with an insatiable fascination for the Watergate story. The author, clearly ahead in the contest for the biggest Watergate book, shuns grandiloquent probing for deeper meanings while providing an almost minute-by-minute account of a cast of hundreds, interspersed with concise biographical vignettes.

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GAME PLAN FOR DISASTER: AN OMBUDSMAN'S REPORT ON THE NIXON YEARS. By Clark R. Mollenhoff. New York: Norton, 1976, 384 pp. $9.95.

Mollenhoff, famed as a dogged journalist specializing in uncovering the corrupt, served briefly (1969–70) in the Nixon Administration until he discovered that the inner circle did not want a truly independent watchdog. The book covers the years from 1969 to 1975; the first part is the best.

A VERY HUMAN PRESIDENT. By Jack Valenti. New York: Norton, 1976, 402 pp. $9.95.

The loving admiration with which the author served and now remembers Lyndon Johnson shines through these pages. Valenti concludes—in a judgment few will challenge—that the Vietnam War "was a fungus, slowly spreading its suffocating crust over the great plans of the President, both here and overseas."

THE PROMISE AND THE PERFORMANCE: THE LEADERSHIP OF JOHN F. KENNEDY. By Lewis J. Paper. New York: Crown, 1975, 408 pp. $9.95.

Books on President Kennedy have followed the law of the pendulum. The early hero worship of Schlesinger and Sorensen was followed by the unfair criticism of Walton and Fairlie. This solid work attempts a balance (more pro than anti) by comparing Kennedy systematically with other twentieth-century presidents and by basing conclusions on extensive research in newly opened sources.

HERBERT HOOVER: PRESIDENT OF THE UNITED STATES. By Edgar Eugene Robinson and Vaughn Davis Bornet. Stanford: Hoover Institution Press, 1975, 398 pp. $12.95.

This careful, admiring study began with the friendship and conversation between Professor Robinson and its subject, and continued with unrestricted access to the Hoover presidential papers. Hoover believed, as do the authors, that his most important contribution as President was "to protect and defend constitutional government." The times are ripe. The book deserves to be well received.

THE NEW AMERICAN IDEOLOGY. By George C. Lodge. New York: Knopf, 1975, 350 pp. $12.50.

A serious speculation concerning a supposed trend toward community values and organization in the place of individualism, competition, the profit motive. The book suggests a sophisticated version of Charles Reich's *The Greening of America* (1970). The infatuation with the ephemera of youth culture is absent, but the confident optimism is the same. Last sentence: "This time we can have the choice for glory, if we will but be aware."

INTEREST AND IDEOLOGY: THE FOREIGN POLICY BELIEFS OF AMERICAN BUSINESSMEN. By Bruce M. Russett and Elizabeth C. Hanson. San Francisco: Freeman, 1975, 296 pp. $10.95 (Paper, $4.95).

A thorough analysis, using modern statistical techniques, of the responses of businessmen, military officers, and other elite groups to questionnaires on ends and means of foreign policy. The results are too complicated to summarize, but, in general, business leaders are less hawkish than military officers, but not as supportive of military spending and operations as some anti-business authors claim. The opinions of the business press and the performance of the stock market are also examined.

POWER SHIFT: THE RISE OF THE SOUTHERN RIM AND ITS CHALLENGE TO THE EASTERN ESTABLISHMENT. By Kirkpatrick Sale. New York: Random House, 1975, 362 pp. $12.95.

Readable and perceptive, although weakened by a tendency to exaggerate the importance of coincidence. The author is no apologist for the old Northeast, but he attributes

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many of the nation's recent problems to the ascendance of the values and politicians of the region lying south of a line from San Francisco to the Virginia-North Carolina boundary.

THE NEW REFORMERS: FORCES FOR CHANGE IN AMERICAN POLITICS. By Stephen C. Schlesinger. Boston: Houghton Mifflin, 1975, 238 pp. $7.95.

After reviewing the recent political behavior of party reformers, women, and blacks, the author suggests that "ingredients may now exist for the makings of a reform coalition capable of capturing a national majority." The difficulty with books of this sort is that the moods and prospects with which they are concerned have the permanence of spring flowers.

The Western Hemisphere

Robert D. Crassweller

"FREEDOM AND CHANGE:" ESSAYS IN HONOUR OF LESTER B. PEARSON. Edited by Michael G. Fry. Toronto: McClelland and Stewart, 1975, 258 pp. $12.95.

The late Lester Pearson, after retiring from politics, taught briefly at Carleton University in Ottawa. His academic colleagues organized and largely wrote this *Festschrift,* containing essays of high quality (the majority are historical and filled with information) on subjects with which Pearson's career was involved: the U.N., NATO, the law of the sea, and international economic development. G.S.

MY YEARS WITH LOUIS ST LAURENT: A POLITICAL MEMOIR. By J. W. Pickersgill. Toronto: University of Toronto Press, 1975, 334 pp. $17.50.

Five Liberal Prime Ministers have led Canada for the greater part of this century—Laurier, King, St. Laurent, Pearson, Trudeau. Of these, St. Laurent was the steadiest and least colorful. This book, in an autobiographical mode, by his closest political associate, is a narrative about quiet competence. G.S.

CANADA AND THE LEAGUE OF NATIONS. By Richard Veatch. Toronto: University of Toronto Press, 1975, 224 pp. $15.00.

Canada's membership in the League is a fascinating affair—combining North American antipathy to overseas commitments with an eagerness to have an internationally recognized voice. The author's research is thorough, and he tells the story well. G.S.

TRADE AND HEMISPHERE: THE GOOD NEIGHBOR POLICY AND RECIPROCAL TRADE. By Dick Steward. Columbia: University of Missouri Press, 1975, 307 pp. $12.50.

The reciprocity agreements of the FDR-Hull era and related themes are considered here in the broad context of the Great Depression, the search for international markets, isolationism in the U.S. and worldwide tensions and hostilities. A thoughtful contribution to economic history.

PUERTO RICO AND THE UNITED STATES, 1917–1933. By Truman R. Clark. Pittsburgh: University of Pittsburgh Press, 1975, 238 pp. $10.95.

The emphasis in this short summary of the Puerto Rican-U.S. relationship during the era that began with the Jones Act is upon the failure of the U.S. to develop any coherent policy toward its Caribbean possession.

POLITICS AND THE MIGRANT POOR IN MEXICO CITY. By Wayne A. Cornelius. Stanford: Stanford University Press, 1975, 319 pp. $12.50.

In Latin America, migration to urban areas has proceeded more massively than anywhere else, leading to problems of assimilation and socialization that have enormous political consequences. The author examines these phenomena in six communities linked to Mexico City, and provides a detailed and exhaustive analysis.

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OIL: THE MAKING OF A NEW ECONOMIC ORDER. VENEZUELAN OIL AND OPEC. By Luis Vallenilla. New York: McGraw-Hill, 1975, 302 pp. $16.95.

From his vantage point as founder and director of the Venezuela Petroleum Technical Office, the author surveys the history of the Venezuelan industry, OPEC and the new international order, and the issues and strategies that will determine the future of the international petroleum sector.

BRAZIL AND THE GREAT POWERS, 1930–1939: THE POLITICS OF TRADE RIVALRY. By Stanley E. Hilton. Austin: University of Texas Press, 1975, 304 pp. $9.95.

An able and thorough account, relying to an unusual degree on unpublished source materials, of the interplay of domestic politics, international policy imperatives, military factors, and Brazilian perceptions of reality in the pre-World War II decade.

BRAZIL SINCE 1964: MODERNISATION UNDER A MILITARY RÉGIME. By Georges-André Fiechter. New York: Halsted Press, 1975, 310 pp. $30.00.

The author of this scholarly interdisciplinary analysis of the efforts of the military regimes to promote human and economic welfare provides a significant answer to a basic question: "Would a liberal régime really have been incapable of achieving the same results in eight years? More and more Brazilians seem inclined to think so."

BRAZIL: A STUDY IN DEVELOPMENT PROCESS. By Stefan H. Robock. Lexington (Mass.): Lexington Books, 1975, 204 pp. $14.00.

A general description and assessment of all current aspects, from economics and politics to geography and growth patterns. There is an optimistic note: "the recent movement of the political system off dead center may be what was needed to translate GNP growth rates into the general welfare of Brazilians."

THE BRAZILIAN PEASANTRY. By Shepard Forman. New York: Columbia University Press, 1975, 319 pp. $13.50.

Breadth of inquiry characterizes this exploration of the history and sociology of the peasant class, extending to facets as diverse as agricultural marketing, cultural qualities, land ownership, and the politics of "dependencia" and of "despair" which evidence the plight of the rural unfortunates.

CHILEAN RURAL SOCIETY FROM THE SPANISH CONQUEST TO 1930. By Arnold J. Bauer. New York: Cambridge University Press, 1975, 265 pp. $18.95.

A very broad analysis of structural relationships, rural sociology, markets, credit, and the like, documenting the decline of the countryside in its long conflict with urban interests.

SOCIAL MOVEMENTS, VIOLENCE, AND CHANGE: THE MAY MOVEMENT IN CURAÇAO. By William A. Anderson and Russell R. Dynes. Columbus: Ohio State University Press, 1975, 175 pp. $12.50.

Even small islands have their tensions and social eruptions, as the 1969 May Movement in Curaçao made clear. The strike, the subsequent riots, and the final political phase of the May cycle are delineated here, in a sociological treatment.

Western Europe

Fritz Stern

THE ROAD TO 1945: BRITISH POLITICS AND THE SECOND WORLD WAR. By Paul Addison. London: Cape, 1975, 334 pp. £6.50.

An exceptionally fine study, tracing the course of British wartime politics. Addison, a young English historian, reconstructs and interprets the five-year wartime coalition, which, he suggests, prepared a new, optimistic Labour consensus under Attlee to replace

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the old, constricted Baldwin consensus of the prewar era. In a sense Attlee received "a double mandate: one from the electorate, and one from within the Establishment." An imaginative, suggestive, and highly readable book.

WHEN THE MOON WAS HIGH: MEMOIRS OF PEACE AND WAR, 1897–1942. By Ronald Tree. London: Macmillan, 1975, 208 pp. £4.95.

Amiable reminiscences of an Anglo-American member of Parliament and proprietor of Ditchley, a great country house, to which Churchill came for wartime weekends, when a full moon endangered his usual retreat at Chequers.

EAST OF MALTA, WEST OF SUEZ: BRITAIN'S MEDITERRANEAN CRISIS, 1936–1939. By Lawrence R. Pratt. New York: Cambridge University Press (in cooperation with the London School of Economics and Political Science), 1975, 215 pp. $17.95.

A good monograph with an important thesis: Britain's weakness in the strategic Mediterranean had a determining and necessarily debilitating impact on its generally hapless foreign policy before the war. "The British Empire [in the 1930s] was overextended and under-prepared, resembling a patchwork of interdependent weaknesses." Written with verve and judgment.

MARGARET THATCHER: A PERSONAL AND POLITICAL BIOGRAPHY. By Russell Lewis. Boston: Routledge & Kegan Paul, 1975, 164 pp. $8.95.

A rather superficial book of praise for the present leader of the Conservative Party, who, it is contended, could rally the nation at a time "when it faces what is probably an even more serious, because more insidious, danger than even at the time of Dunkirk. . . ."

MY DARLING PUSSY: THE LETTERS OF LLOYD GEORGE AND FRANCES STEVENSON, 1913–41. Edited by A. J. P. Taylor. London: Weidenfeld and Nicolson, 1975, 258 pp. £5.25.

Sparklingly edited love letters from Lloyd George to his secretary, mistress, and eventual second wife, who was 26 years younger than himself. This intense attachment, known to many at the time, was nonetheless kept secret. Not surprisingly, the letters are more passionate than political.

THE POINT OF NO RETURN: THE STRIKE WHICH BROKE THE BRITISH IN ULSTER. By Robert Fisk. London: Times Books/André Deutsch, 1975, 264 pp. £4.95.

A young British journalist examines the strike of Protestant power workers in Northern Ireland in May 1974, in which a relatively small number of workers, backed by other elements, successfully defied and changed an existing order. He sees urgent lessons in this unprecedented event: ". . . it is time that elected representatives began to consider the potential disasters they face when exclusively political protest takes the form of exclusively industrial war."

FRENCH AND ENGLISH. By Richard Faber. London: Faber and Faber, 1975, 211 pp. £5.25.

An inquiry, based chiefly on literary sources, about how the English and French have perceived each other. A collection of amusing and interesting quotes; at best, a quick introduction to a complicated and worthwhile subject.

ANDRÉ MALRAUX. By Jean Lacouture. New York: Pantheon, 1976, 510 pp. $12.95.

A well-known French writer has composed an engrossing biography of a great figure in the world of the imagination and of action, whom de Gaulle once called "this incomparable witness of our age."

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WILLY BRANDT: PRISONER OF HIS PAST. By Viola Herms Drath. Radnor (Pa.): Chilton, 1975, 364 pp. $8.95.
THE OTHER GERMAN: WILLY BRANDT'S LIFE AND TIMES. By David Binder. Washington: New Republic Book Company, 1975, 373 pp. $12.50.

Drath, a West German journalist, studies the man—with all his past experiences and sexual energies. She provides interesting material that some day might enrich a balanced biography. Binder, a *New York Times* correspondent, writes a more conventional and far more informative and gripping account of the life and work of one of Germany's most remarkable modern statesmen.

HITLER'S DECISION TO INVADE RUSSIA, 1941. By Robert Cecil. London: Davis-Poynter, 1975, 192 pp. £4.50.

A useful summary of Hitler's motives and Germany's planning for the invasion of Russia. The magnitude of errors on both the German and Russian sides is clearly demonstrated, as both Hitler and Stalin, prisoners of their own propaganda, underestimated each other's power and resourcefulness.

THE SOCIALIST LEFT AND THE GERMAN REVOLUTION: A HISTORY OF THE GERMAN INDEPENDENT SOCIAL DEMOCRATIC PARTY, 1917–1922. By David W. Morgan. Ithaca: Cornell University Press, 1975, 499 pp. $19.50.

The first thoroughly researched study of the character and role of the left-wing offshoot of German Social Democracy. Admirable in its use of new sources and in its bold and persuasive interpretation, this work, by a young American historian, constitutes a major contribution to our understanding of the revolutionary aftermath of World War I.

INSIGHT ON PORTUGAL: THE YEAR OF THE CAPTAINS. By the Insight Team of the Sunday Times. London: André Deutsch, 1975, 273 pp. £1.95 (Paper).

A team of *Sunday Times* reporters reconstructs the first 15 months of the Portuguese revolution. Informative, if necessarily superficial, the book is especially good on the political atmosphere of the time.

GUERNICA: THE CRUCIBLE OF WORLD WAR II. By Gordon Thomas and Max Morgan Witts. New York: Stein and Day, 1975, 319 pp. $8.95.

A reconstruction of the life of Guernica, a small Basque town, before, during, and after its deliberate destruction by German aerial bombardment in April 1937. A team of seasoned writers and investigators interviewed survivors and perpetrators and have woven their recollections into this dramatic account of horror and heroism.

LES FRANÇAIS ET LA GUERRE D'ESPAGNE. By David Wingeate Pike. Paris: Presses Universitaires de France, 1975, 467 pp.

Another contribution to the grimly fascinating history of the Spanish Civil War: an English-born historian teaching in France examines the political context of France's timid and divided response to the war.

CARLISM AND CRISIS IN SPAIN, 1931–1939. By Martin Blinkhorn. New York: Cambridge University Press, 1975, 394 pp. $32.50.

A scholarly study of the ideology and conduct of the traditionalist right-wing party in the great Spanish crisis that began with the end of the monarchy in 1931. An old movement, Carlism has adapted itself to many changes and continues to be a force in Spain today.

PARTNERSCHAFT AN EUROPÄISCHEN GRENZEN: INTEGRATION DURCH GRENZÜBERSCHREITENDE ZUSAMMENARBEIT. By Viktor Freiherr von Malchus. Bonn: Europa Union Verlag (for the Institut für Europäische Politik, Bonn), 1975, 350 pp.

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A useful survey of the existing forms of interstate regional cooperation in Western Europe and a discussion of the obstacles to the further spread of such collaboration.

The Soviet Union and Eastern Europe

John C. Campbell

RUSSIA: THE PEOPLE AND THE POWER. By Robert G. Kaiser. New York: Atheneum: 1976, 499 pp. $12.95.

THE RUSSIANS. By Hedrick Smith. New York: Quadrangle/The New York Times Book Company, 1976, 527 pp. $12.50.

Overlapping and partially complementary surveys of the Russian scene by correspondents of *The Washington Post* and *The New York Times* recently assigned to Moscow. Basically, these are not treatises on the Soviet system, but honest and perceptive descriptions of daily life which tell, incidentally, a great deal about how the system works.

THE LIFE AND DEATH OF LEON TROTSKY. By Victor Serge and Natalia Sedova Trotsky. New York: Basic Books, 1975, 296 pp. $10.95.

Translation of the combined memoir and tribute by Trotsky's widow and his close friend, first published in France in 1951.

THE SOVIET VIEW OF WAR, PEACE AND NEUTRALITY. By P. H. Vigor. Boston: Routledge & Kegan Paul, 1975, 256 pp. $20.00.

An exposé of Soviet theory and practice, replete with references to the works of Lenin and Stalin, military writings, and dictionaries.

SOVIET ECONOMIC AND POLITICAL RELATIONS WITH THE DEVELOPING WORLD. Edited by Roger E. Kanet and Donna Bahry. New York: Praeger, 1975, 242 pp. $17.50.

A product of the International Slavic Conference at Banff in 1974, this symposium is better than the usual mishmash thanks to careful preparation, a good editor, and some solid contributions by Geoffrey Jukes, Thomas Thornton, and others.

RAZVIVAYUSHCHESIA STRANY: NANKA, TEKHNIKA, EKONOMICHESKII ROST. By G. E. Skorov. Moscow: "Mysl," 1975, 367 pp.

The latest and most substantial Soviet work on the scientific-technological revolution and the developing countries. Data and statistics (largely from U.N. sources), assessments of progress made, and a dose of orthodox Soviet economic theory.

THE COMMUNIST MOVEMENT: FROM COMINTERN TO COMINFORM. PART ONE: THE CRISIS OF THE COMMUNIST INTERNATIONAL; PART TWO: THE ZENITH OF STALINISM. By Fernando Claudín. New York: Monthly Review Press, 1976, 2 v. $27.00 the set.

A former leading member of the Spanish Communist Party with years of experience in the movement writes an illuminating history and Marxist critique of Stalin's policies, which resulted in betrayal of the revolution in other countries, division of the world with the capitalist powers, and the eventual crisis of Stalinism.

COMPARATIVE SOCIALIST SYSTEMS: ESSAYS ON POLITICS AND ECONOMICS. Edited by Carmelo Mesa-Lago and Carl Beck. Pittsburgh: University of Pittsburgh Center for International Studies, 1975, 441 pp. $16.95 (Paper, $7.95).

A book exasperating in its lack of focus and uneven in its contributions which nevertheless can claim to be a landmark in current scholarly efforts to establish a basis for the comparative study of communism.

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COMMUNITY AND CONFLICT IN THE SOCIALIST CAMP: THE SOVIET UNION, EAST GERMANY AND THE GERMAN PROBLEM 1965–1972. By Gerhard Wettig. New York: St. Martin, 1975, 161 pp. $17.95.

This book's major contribution lies in its view "with Eastern eyes" of changing East-West and intra-East relationships on the German problem, but it also provides a careful running account of the principal negotiations.

INTERNATIONALE ENTSPANNUNGSPOLITIK AUS SOWJETISCHER SICHT. By Wladlen Kusnezow. Vienna: Europaverlag, 1975, 182 pp. Schillings 148.

A Soviet journalist expounds for German readers the Soviet government's concept of détente, and seeks to disarm or discredit Western critics who see it as a tactic or a trap.

POLITICS IN THE GERMAN DEMOCRATIC REPUBLIC. By John M. Starrels and Anita M. Mallinckrodt. New York: Praeger, 1975, 399 pp. $22.50.

Despite marginal readability and an overblown concern with the tools of theory and analysis, this treatise gives a broad and accurate picture of the "political culture" of the G.D.R.

CONFRONTATION IN CENTRAL EUROPE: WEIMAR GERMANY AND CZECHOSLOVAKIA. By F. Gregory Campbell. Chicago: University of Chicago Press, 1975, 383 pp. $15.00.

Intensive research in the diplomatic records of Bonn, Paris, and London (but not the closed archives in Prague) provides the central material for this excellent monograph. Weimar Germany's aspirations for a dominant role in Central Europe come through clearly. The long bibliographical essay will be helpful to scholars.

CHECKMATE IN PRAGUE: THE MEMOIRS OF A GRANDMASTER. By Luděk Pachman. New York: Macmillan, 1975, 216 pp. $8.95.

Arrest, prison, and trial as an enemy of the people in Husák's socialist democracy, with some sidelights on the world of international chess, provide the substance of the Czech grandmaster's story.

THE SHADOW OF THE SWASTIKA: THE RISE OF FASCISM AND ANTI-SEMITISM IN THE DANUBE BASIN, 1936–1939. By Bela Vago. Farnborough, Hants.: Saxon House (for the Institute of Jewish Affairs), 1975, 431 pp. (New York: Athenæum, distributor, $18.95).

Vago has reproduced here selected British Foreign Office documents on right-wing movements in Czechoslovakia, Hungary, and Rumania. His accompanying narrative is a far from adequate history of these movements.

BRITISH POLICY TOWARDS WARTIME RESISTANCE IN YUGOSLAVIA AND GREECE. Edited by Phyllis Auty and Richard Clogg. New York: Barnes & Noble, 1975, 308 pp. $27.50.

Essays based on recently available official records, with comment by some of those who had a part in wartime operations. The chapters on Yugoslavia may profitably be read together with the books of Tomasevich, and Milazzo, noted in *Foreign Affairs,* July 1975.

YUGOSLAVIA AND THE SOVIET UNION, 1939–1973: A DOCUMENTARY RECORD. Edited by Stephen Clissold. New York: Oxford University Press (for the Royal Institute of International Affairs), 1975, 318 pp. $26.00.

Clissold's lengthy introduction and notes provide a fairly thorough history of Soviet-Yugoslav relations. The 238 documents garnered from many sources are a useful collection, but many of them are excerpts.

SÜDOSTEUROPA-HANDBUCH, BAND I: JUGOSLAWIEN. Edited by Klaus-Detlev Grothusen. Göttingen: Vandenhoeck & Ruprecht, 1975, 566 pp. DM. 140.

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A handbook so rich in information and expansive in its treatment of politics, economics, society and culture as to deserve special mention. Articles are in German or English. Contributors are from Germany, the United States, Britain, and Yugoslavia.

The Middle East and North Africa

John C. Campbell

THE ROAD TO RAMADAN. By Mohamed Heikal. New York: Quadrangle/The New York Times Book Company, 1975, 285 pp. $8.95.

The former editor of *Al Ahram* and cabinet minister, confidant of Nasser and Sadat, does not disappoint readers looking for revelations. His reports of governmental councils and diplomatic conversations at high levels through the period leading up to the war of 1973 are filled with fascinating details. Historians in due course will check them with other sources, but meanwhile this is gourmet fare for followers of the Middle East drama.

ARMS FOR THE ARABS: THE SOVIET UNION AND WAR IN THE MIDDLE EAST. By Jon D. Glassman. Baltimore: Johns Hopkins University Press, 1976, 243 pp. $12.50.

LA POLITIQUE SOVIÉTIQUE AU MOYEN-ORIENT, 1955–1975. By Hélène Carrère d'Encausse. Paris: Presses de la Fondation Nationale des Sciences Politiques, 1975, 327 pp. Fr. 68.

Two outstanding books which cover much of the same ground. Glassman casts a wider net for his material, though wisely leaving some critical points open to question, and provides considerable detail on arms supply. Carrère d'Encausse, drawing on her familiarity with both Soviet and Middle East affairs, constructs a convincing narrative of the consistent strategy and zigzag tactics of Soviet policy.

KOMMUNISMUS IN PALÄSTINA: NATION UND KLASSE IN DER ANTI-KOLONIALEN REVOLUTION. By Mario Offenberg. Meisenheim am Glan: Hain, 1975, 369 pp. DM. 149.

A painstaking scholarly work—with a Marxist message—on the Jewish Palestine Communist Party of the 1920s, its relations with the Comintern, and the unresolved conflicts of Zionism, Arab nationalism, and Jewish-Arab proletarian solidarity.

THE MIDDLE EAST: IMPERATIVES AND CHOICES. By Alon Ben-Meir. Mount Vernon (N.Y.): Decalogue Books, 1975, 221 pp. $7.95.

An Israeli dove's clear and balanced treatment of a broad range of problems in the Arab-Israeli dispute and his conditions for peace, which depend on "a high degree of rationality" on all sides. They include a West Bank-Gaza Arab state.

OÙ VA ISRAËL? By Nahum Goldmann. Paris: Calmann-Lévy, 1975, 187 pp. Fr. 27.

As he has said before, the world Zionist leader believes that Israel is departing from the historic Jewish mission when it acts like any other nationalistic secular state, concentrating all its energies on military means to ensure survival.

PUBLISH IT NOT . . . THE MIDDLE EAST COVER-UP. By Michael Adams and Christopher Mayhew. New York: Longman, 1975, 193 pp. $15.00.

The insistent message of this book, by two Englishmen long active in the Arab cause, is that the British communications media have succumbed to the influence of the Zionist lobby and that it has been virtually impossible to present to the public anything favorable to the Arab side.

THE LEAGUE OF ARAB STATES AND REGIONAL DISPUTES: A STUDY OF MIDDLE EAST CONFLICTS. By Hussein A. Hassouna. Dobbs Ferry (N.Y.): Oceana/Leiden: Sijthoff, 1975, 512 pp. $25.00.

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An Egyptian diplomat describes the role of the Arab League during three decades of Middle East disputes, both Arab-Israel and inter-Arab. While a deadpan and largely legal presentation that scarcely reflects the storm and stress of inter-Arab politics, it nevertheless contains much useful material.

THE ARABS: THEIR HISTORY, AIMS AND CHALLENGE TO THE INDUSTRIALIZED WORLD. By Thomas Kiernan. Boston: Little, Brown, 1975, 449 pp. $12.50.

A popular introduction to the Arab world, alternating superficial history with contemporary reporting. The latter includes interviews with Assad, Hussein, Arafat, and Faisal.

ARAB STATES OF THE LOWER GULF: PEOPLE, POLITICS, PETROLEUM. By John Duke Anthony. Washington: Middle East Institute, 1975, 273 pp. $10.95.

Based on extensive firsthand investigation, this is an excellent political and sociological study of Bahrain, Qatar, and the United Arab Emirates. It shows an extraordinary knowledge of the politics of each unit as well as a grasp of the common problems of legitimacy and disruption, of continuity and change. The impact of petroleum is, of course, a central theme.

THE SAUDI ARABIAN ECONOMY. By Ramon Knauerhase. New York: Praeger, 1975, 359 pp. $23.50.

Essentially a handbook of Saudi Arabia's economic development, not limited to the oil sector. Extensive statistical data are given, but neither text nor tables reflect the great leaps forward of the past two years.

L'ALGÉRIE POLITIQUE: INSTITUTIONS ET RÉGIME. By Jean Leca and Jean-Claude Vatin. Paris: Presses de la Fondation Nationale des Sciences Politiques, 1975, 501 pp. Fr. 120.

This work, by two former professors at Algiers, is political science at its best, relating institutions, ideology, and popular pressures to political practice in a remarkable synthesis.

Asia and the Pacific

Lewis C. Austin

ASIA AND THE ROAD AHEAD: ISSUES FOR THE MAJOR POWERS. By Robert A. Scalapino. Berkeley: University of California Press, 1975, 337 pp. $10.95.

This overview of the domestic and international issues confronting the major Asian nations attempts some forecasting, but it is necessarily broad-gauged and cautious. Trends: for Japan and China, more of the same; for India, authoritarian subcontinental hegemony; for the U.S., vacillation; for the U.S.S.R., aggrandizement.

THE ORIGINS OF THE CULTURAL REVOLUTION. 1: CONTRADICTIONS AMONG THE PEOPLE 1956–1957. By Roderick MacFarquhar. New York: Columbia University Press (for the Royal Institute of International Affairs, the East Asian Institute of Columbia University, and the Research Institute on Communist Affairs of Columbia University), 1974, 439 pp. $14.95.

The first volume of a projected three-part history, this work deals with the first turn in China away from the Soviet model and with the period in which 100 flowers were to bloom, 100 schools of thought to contend. It is gracefully written and comprehensively researched.

POWER AND POLICY IN CHINA. By Parris H. Chang. University Park: Pennsylvania State University Press, 1975, 276 pp. $13.50.

A study of Chinese politics, emphasizing the leadership's relative moderation, openness, and flexibility in decision-making, as compared to other communist governments.

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DEMOCRACY AND ORGANISATION IN THE CHINESE INDUSTRIAL ENTERPRISE, 1948–1953. By William Brugger. New York: Cambridge University Press, 1976, 374 pp. $27.50.

A fascinating study of the problems faced by the new Chinese leadership in restructuring work organization and authority after the Revolution. Brugger's book offers insights into comparative patterns of modernization, industrial democratization, and the effect of cultural differences on social forms.

CHINA: CULTURAL AND POLITICAL PERSPECTIVES. Edited by D. Bing. New York: Longman, 1975, 237 pp. $20.00.

From the proceedings of the First New Zealand Conference on Chinese Studies at the University of Waikato, these short papers cover a wide variety of subjects—aesthetics to agriculture—in a generally interesting way.

NO FEAST LASTS FOREVER. By Madame Wellington Koo, with Isabella Taves. New York: Quadrangle/The New York Times Book Company, 1975, 313 pp. $12.50.

The author of this intriguing memoir is a remarkable woman, and her chronicle of a glittering pre-revolutionary life-style is well worth reading, for its glimpses of human character and of international politics.

THE VLADIMIROV DIARIES. YENAN, CHINA: 1942–1945. By Peter Vladimirov. Garden City: Doubleday, 1975, 538 pp. $10.95.

The author was Tass correspondent and Comintern agent with the Chinese Communists in Yenan; his diaries, edited, translated, and possibly fabricated in Moscow, cast a fascinating sidelight on the complex struggle for power among Mao, Chiang, the U.S., and the U.S.S.R. Vladimirov emerges as a sensitive, puritanical, and politically single-minded observer, biased against Chinese national feeling by his own Stalinist chauvinism. His comments on U.S. liaison personnel (Stilwell, Hurley, Davies, Barrett, Service) are acute and insightful; but the last has publicly questioned the authenticity of the diaries.

FLOWERS ON AN IRON TREE: FIVE CITIES OF CHINA. By Ross Terrill. Boston: Atlantic—Little, Brown, 1975, 423 pp. $15.00.

BEFORE THE BLOSSOMS FALL: LIFE AND DEATH IN JAPAN. By Agnes Newton Keith. Boston: Atlantic—Little, Brown, 1975, 326 pp. $8.95.

Two examples of the time-honored travel reportage genre: Terrill excels at facts and statistics, Keith at aesthetics and emotions. Both books are nice if you can't go yourself.

MUTUAL IMAGES: ESSAYS IN AMERICAN-JAPANESE RELATIONS. Edited by Akira Iriye. Cambridge: Harvard University Press, 1975, 304 pp. $15.00.

Americans are variously virtuous heirs and caretakers of liberty and justice for all, or greedy racist decadent bullies. Japanese have seemed charming and delicate doll's-house craftsmen, or treacherous less-than-human hordes. This collection of papers about mutual misperceptions and their evils is long on fascinating detail, short on analysis.

THE UNITED STATES AND JAPAN. 2nd Edition, Revised. Edited by Herbert Passin. Washington: Columbia Books (for the American Assembly, Columbia University), 1975, 167 pp. $4.00 (Paper).

Some of the doyens of American Japanology (Passin, Ward, Lockwood, Olson, Seidensticker) present an updated reissue of a volume that was useful in 1965. It is still readable and interesting in its new incarnation, but how times have changed!

SOCIAL SECURITY IN KOREA: AN APPROACH TO SOCIO-ECONOMIC DEVELOPMENT. By Chong Kee Park. Seoul: Korea Development Institute, 1975, 197 pp.

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A careful survey of the policy implications of setting up a Korean national insurance system, this study is rich in statistical data and has a broadly comparative viewpoint.

NORTH KOREAN JOURNEY: THE REVOLUTION AGAINST COLONIALISM. By Fred J. Carrier. New York: International Publishers, 1975, 120 pp. $2.50 (Paper).

There is a characteristic human penchant to imagine heaven in some terrestrial locus. This book will only interest those who are already persuaded that its present whereabouts is on the Korean Peninsula north of the 38th parallel.

LE PARTI COMMUNISTE VIETNAMIEN. By Pierre Rousset. Paris: Maspero, 2nd ed., 1975, 355 pp. Fr. 18.

First published in 1972, this sympathetic history of the Vietnamese Communist Party is now brought up to date. Its analysis of the tactics of the revolutionary leaders—not only against South Vietnam and the U.S. but also vis-à-vis China and the Soviet Union—is careful and interesting.

SOUTH ASIAN CRISIS: INDIA, PAKISTAN AND BANGLA DESH. By Robert Jackson. New York: Praeger (for the International Institute for Strategic Studies), 1975, 240 pp. $12.50.

Jackson's account of the interplay of regional and great-power diplomacy in the crisis of the subcontinent is graceful, lucid and shrewd. His analysis is a model of its kind and, as he notes, has ominous implications for world stability in a future where secession will be a threatening specter for more than a few states.

INDIA, PAKISTAN & BANGLADESH—SEARCH FOR NEW RELATIONSHIP. By Mohammed Ayoob. New Delhi: Indian Council of World Affairs, 1975, 185 pp. Rs. 30.

The bloody birth of Bangladesh and its aftermath is viewed as an inevitable process whereby Pakistan painfully gives up the attempt to "deny to India its natural power superiority." It is suggested that only Washington's use of Pakistan as a tool in its strategy of "encirclement of the oil-rich Persian Gulf" maintains Pakistan's "intransigence in its dealings with India."

REGIONALISM AND NATIONAL UNITY IN NEPAL. By Frederick H. Gaige. Berkeley: University of California Press, 1975, 234 pp. $13.75.

Nepal is hill country; but the southern rim bordering India is plains. This lowland represents 15 percent of the nation's area, 30 percent of its population, and 60 percent of the government's revenue. It also represents a domestic and international headache for the Kathmandu rulers, being particularly vulnerable to Indian influence. Gaige's book examines the ramifications of the problem.

DEMOCRACY WITHOUT CONSENSUS: COMMUNALISM AND POLITICAL STABILITY IN MALAYSIA. By Karl von Vorys. Princeton: Princeton University Press, 1975, 443 pp. $20.00.

Most democratic polities have a homogeneous electorate and a shared value system. But democracy has survived in Malaysia for almost three decades with neither. How have the Malay, Chinese and Indian communities managed this? The answer is in this fascinating and theoretically provocative case study.

MAP OF MAINLAND ASIA BY TREATY. By J. R. V. Prescott. Carlton (Vic.): Melbourne University Press (in association with the Australian Institute of International Affairs), 1975, 518 pp. (Portland, Ore.: International Scholarly Book Services, distributor, 1976, $45.00).

An invaluable compendium which provides detailed historical and geographical background material on all the international boundaries of mainland Asia which have been

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settled by treaty. It brings together a comprehensive collection of protocols, notes, and boundary agreements hitherto scattered and hard to locate.

ADVANCE AUSTRALIA—WHERE? Edited by B. D. Beddie. Melbourne: Oxford University Press of Australia (in association with the Australian Institute of International Affairs), 1975, 222 pp. (Paper).
AUSTRALIA'S ECONOMIC RELATIONS. Edited by J. D. B. Miller. Sydney: Angus and Robertson (in association with the Australian Institute of International Affairs), 1975, 170 pp. (Paper).
AUSTRALIA'S NEW GUINEA QUESTION. Edited by W. J. Hudson. Melbourne: Nelson (in association with the Australian Institute of International Affairs), 1975, 163 pp.

Three symposia of unusual quality deal with the problems of designing policy for a nation at once small and powerful, rich and dependent, isolated and involved, colonial power and object of exploitation. How may such a nation survive? Common sense, frankness, and vigorous intellectual diversity may help, and they are all present here.

ESSAYS IN THE POLITICAL ECONOMY OF AUSTRALIAN CAPITALISM: VOLUME 1. Edited by E. L. Wheelwright and Ken Buckley. Brookvale (N.S.W.): Australia and New Zealand Book Company, 1975, 272 pp. A $6.95 (Paper).

These papers, written from a Marxist viewpoint, deal with the thorny problems of foreign investment, immigration, and colonial development. They are, by and large, penetrating and suggestive.

ASIA AND THE WESTERN PACIFIC: TOWARDS A NEW INTERNATIONAL ORDER. Edited by Hedley Bull. Melbourne: Nelson (in association with the Australian Institute of International Affairs), 1975, 387 pp.

An interesting set of papers, from an Australian Institute of International Affairs conference, which touches on some major issues but does little to resolve them.

Africa

Jennifer Seymour Whitaker

UNIVERSITY STUDENTS AND AFRICAN POLITICS. By William John Hanna and others. New York: Africana Publishing Company, 1975, 296 pp. $22.50.

The whole here is definitely greater than the sum of its parts: studies of high quality covering student political attitudes in the Ivory Coast, Rhodesia, Kenya, Uganda, Tanzania and Ghana are integrated by Hanna in a group of essays which suggest a number of different answers to questions about the likely behavior of the next generation of African elites. Because much of the data was gathered almost a decade ago, however, it seems likely that the general preeminence of apolitical conservatism among the African student populations may have altered in response to increasing perceptions of national instability and diminishing personal economic opportunities.

IDEOLOGY AND POLITICS IN UGANDA: FROM OBOTE TO AMIN. By James H. Mittelman. Ithaca: Cornell University Press, 1975, 302 pp. $15.00.

Beyond Uganda—and Obote's rather hastily engineered attempts to unify and mobilize its disparate polity—Mittelman provides an excellent basic analysis of the uses of ideology in the modernization of a developing country.

SOCIETY AND BUREAUCRACY IN CONTEMPORARY GHANA. By Robert M. Price. Berkeley: University of California Press, 1975, 261 pp. $12.50.

In this perceptive analysis of the social roots of corruption in an African bureaucracy, the author takes a close look at the discordance between the performance requirements

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of the Ghanaian Civil Service and the traditional values which still largely determine the behavior of its incumbents.

CHANGE IN CONTEMPORARY SOUTH AFRICA. Edited by Leonard Thompson and Jeffrey Butler. Berkeley: University of California Press, 1975, 447 pp. $16.50 (Paper, $5.95).

A superior collection, particularly distinguished by Francis Wilson's analysis of the political implications for blacks of economic changes now taking place in South Africa, and by a summing up by Heribert Adam, assessing the balance between internal forces for change in South Africa.

THE POLITICAL ECONOMY OF AFRICA. Edited by Richard Harris. Cambridge: Schenkman, 1975, 270 pp. (New York: Halsted, distributor, $15.95).

These essays on Kenya and Tanzania, Zambia, Ghana and Nigeria are unified by the common perspective of their authors, part of a growing group of social scientists basing their analyses of African development on a critique of African dependency and Western neocolonialism.

LE CONGO: FORMATION SOCIALE ET MODE DE DÉVELOPPEMENT ÉCONOMIQUE. By Hughes Bertrand. Paris: Maspero, 1975, 320 pp. Fr. 55.

Congo-Brazzaville's dependency is also the focus of this Marxist account of the country's development from colonial times to the present. The study combines a good deal of statistical information with a hortatory advocacy of an anti-imperialist revolution based on a more effective mobilization of rural and urban proletariats than the country's Left was able to manage in their heyday of the 1960s.

THE DYING LION: FEUDALISM AND MODERNIZATION IN ETHIOPIA. By Patrick Gilkes. New York: St. Martin, 1975, 307 pp. $12.95.

This description of the feudal and bureaucratic structure of the Emperor's realm preserves in amber the moment just before the November 1974 storm and the subsequent accelerated dissolution of those fragile and anachronistic structures.

FREEDOM AND LABOUR: MOBILIZATION AND POLITICAL CONTROL ON THE ZAMBIAN COPPERBELT. By Peter Harries-Jones. New York: St. Martin, 1975, 256 pp. $19.95.

A British political scientist recounts the transition of UNIP, Zambia's ruling party, from the neighborhood proletarian cadres of the pre-independence era into an elite network after its advent to power.

AFRICA'S SLAVES TODAY. By Jonathan Derrick. New York: Schocken Books, 1975, 245 pp. $13.50.

More a report of slavery's end than an indictment of contemporary situations; vestiges—and attitudes—reportedly still linger, particularly around the Sahara where the nomadic life-style has depended on it.

MASS MEDIA IN BLACK AFRICA: PHILOSOPHY AND CONTROL. By Dennis L. Wilcox. New York: Praeger, 1975, 170 pp. $15.00.

A factual survey of Africa's poor and largely fettered fourth estate.

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By Janet Rigney

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